

CREDIT

and Financial Management

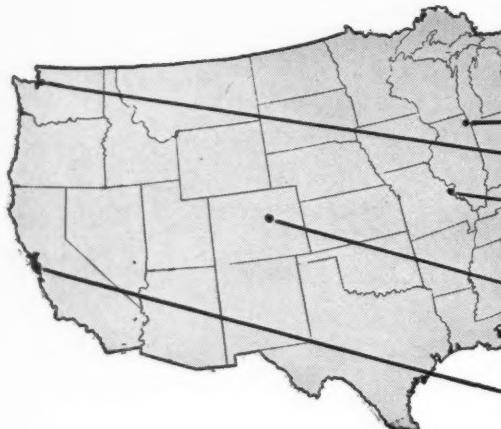
JUN 2 1947

LIBRARY
BUS. ADMIN.
LIBRARY

Photo A. Devaney, Inc., N. Y.

MAY 1947 In This Issue: ● Credit—Past and Future
● Accountancy in Credit Work ● Consumer Credit in 1947
● More About Cash Discounts ● News of the
Golden Jubilee Credit Congress

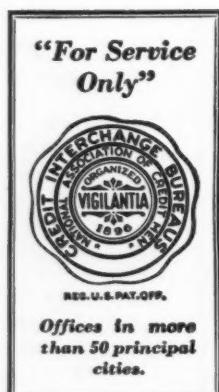
More than fifty strategically located offices collect and disseminate to the members the kind of information needed by Credit Executives on which to base sound decisions.



Credit Interchange Bureaus of the NATIONAL ASSOCIATION of CREDIT MEN									
<i>Report on</i>		CENTRAL OFFICES 1154 Paul Brown Building ST. LOUIS 1, MO.							
----- SPORTING GOODS CO.,		MAINE COUNTY		MARCH 16, 1947					
<small>The currency of this Report is not guaranteed. Its contents are gathered in good faith from members and sent to you by this Bureau without liability for negligence in presenting, collecting, communicating or failing to communicate the information so gathered.</small>									
BUSINESS CLASSIFICATION	HOW LONG HELD	DATE OF LAST SALE	HIGHEST AMOUNT ON CREDIT	NOW OWNED INCLUDING NOTES	PAST DUE	TERMS OF SALE	PAYING RECORD	NUMBER OF COUNTS	COMMENTS
BOSTON 303-89 Hdwe	yrs	1-47	4890			60	x		\$2890 order
NEW YORK-PHILADELPHIA 305-1267 Spt G	yrs	2-47	2447	696		1-10-30	x		
M Fgs	1928	1-47	536			3-10	x		
M Fgs	yrs	2-47	1890	398		3-10 EOM	x		
CHICAGO 307-1624 Bhoe	1935	2-47	1473			2-10 Px	x		
M Fgs	yrs	12-46	1366			3-10	x		
SEATTLE 307-431 Knit	1930	2-47	1860	344		1-10-30	x		
ST. LOUIS 305-644 Spt G	yrs	2-47	501	147		1-10-30	x		
JACKSONVILLE 307-217 Spt G	yrs	2-47	1354	635		1-10-30	x		
ROCKY MOUNTAIN 307-328 Gen M	yrs	3-47	1655	1047		1-10-30	x		
NEW ORLEANS 307-490 M Fgs	yrs	1-47	3166			3-10	x		
NORTHERN & CENTRAL CALIF 307-506 Clo	yrs	2-47	986			2-30-60	x		
M Fgs	yrs	3-47	590	289		3-10	x		
Bu 42 S					536				

This Nation-wide Credit Service covers every type of industry

Credit Interchange consolidates in *one easily analyzed report* the paying record facts from *many creditors*—in *all lines of business*—in *all parts of the country*. A single inquiry brings you this valuable information.



The Credit Interchange Bureau serving your area will be glad to give you details, without obligation. If you prefer write

Credit Interchange Bureaus
NATIONAL ASSOCIATION of CREDIT MEN
1154 Paul Brown Building ST. LOUIS 1, MO.

CREDIT

AND FINANCIAL MANAGEMENT

Contents

MAY 1947

VOLUME 49, NO. 5

Official Publication of National
Association of Credit Men

1309 Noble St.
Philadelphia 23, Pa.

Editorial Offices
One Park Avenue
New York 16, N. Y.

Editor and Manager
Richard G. Tobin

Associate Editor
Leslie E. Jones

ESTABLISHED 1898

A Test of National Character (Editorial)	Henry H. Heimann	2
Credit—Past and Future	Henry H. Heimann	4
Accountancy in Credit Work	Arthur S. Burton	7
The Business Outlook	Carl D. Smith	8
Organization and Finance	J. F. Buehner	11
Consumer Credit in 1947	Frank G. Anger	13
Did You Know These Answers?	Carl B. Everberg	16
Uncle Sam's Payroll		21
Debtors Need Coaching	J. E. Bullard	24
The Credit Executive's Library	Carl D. Smith	30
Letters to the Editor		32
NACM News		33



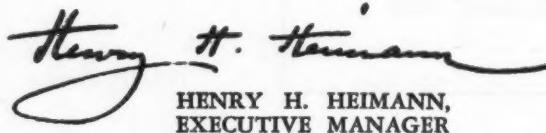
A Test of National Character

HModern credit executives never rely solely on references in evaluating the credit responsibility of a prospective customer. References are generally hand-picked and do not constitute the best source of information on a debtor's discharge of his obligations. Instead of references, the modern credit executive procures a factual summary of the debtor's past and present paying habits. This information is secured without any help from the debtor and generally without his knowledge. It is procured from his suppliers.

We in this nation might well follow this plan of inquiry in connection with our international relations. If we did so, the record would disclose that some governments' promises aren't worth the paper they are written on. We would find others were weak in character when faced with a crisis involving their own well-being. We would find still others poor in material possessions, but rich in character and performance as, for instance, Finland.

It is essential that all nations work together in the interest of peace and that, despite repeated failures, they continue to work to attain it. However, if we are armed in advance with information on the nation's character, as reflected in its performance, our approach to a peaceful world may be more practical and the peace, once attained, may rest on a firmer foundation. We would not be lulled into security by promises and assurances, if we knew that in the past they have meant nothing and were as valueless as scraps of paper.

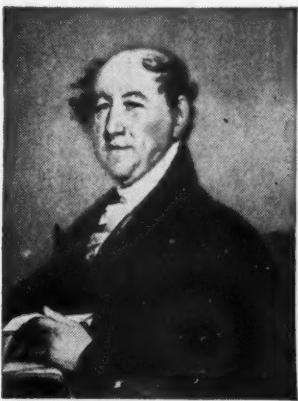
Let us look at the record of those with whom we are trying to work for international stability. Doing so may save us many heartaches and keep us eternally vigilant.



The signature is handwritten in cursive ink, appearing to read "Henry H. Heimann".

HENRY H. HEIMANN,
EXECUTIVE MANAGER

Famous American Homes



Rufus King, from an original portrait by Gilbert Stuart.

gentleman. He was again elected to the Senate in 1813, and served yet a fourth term in 1820. John Quincy Adams persuaded him to become our Minister to Great Britain a second time in 1825, but his term lasted only one year because of failing health.

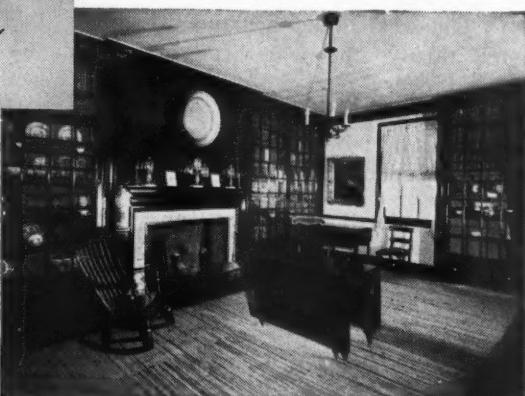
The Rufus King home is now owned by the City of New York and is operated as a museum of local antiquities under the auspices of The King Manor Association. This imposing mansion stands today as a silent tribute to the builders of Colonial America and to an illustrious statesman and his equally notable descendants.

KING MANOR

KING MANOR, located at Jamaica, Long Island, just a few minutes distant from the heart of Manhattan, was purchased as a country estate by Rufus King, statesman and diplomat, in 1805. The sprawling gambrel-roofed mansion, which was built in 1750, had passed through several hands and had been used as a country inn prior to Senator King's ownership. Before taking possession, Mr. King completely restored the residence and surrounded it with an imposing park of rare trees and shrubs. It is believed that the New Hampshire pine and fir trees, which were set out by the Senator, were the first of their kind to be planted in this section of Long Island. A gigantic oak tree standing near the house grew from an acorn also planted by the owner in 1805.

Though Rufus King's brilliant career on the American political scene is chiefly identified with the State of New York, he was born in Scarborough, Maine; was

graduated from Harvard University in 1777; and served as aide-de-camp to General Glover during General Sullivan's expedition to Rhode Island. He was admitted to the bar in 1780. In 1786 he became a resident of New York City and soon became one of his state's leading political figures. With Philip Schuyler he was elected to the U. S. Senate by the Federalist Party in 1789 and was considered one of the most outstanding members of that august body. President Washington appointed him minister plenipotentiary to the Court of St. James in 1796 which post he filled admirably during a very difficult period until 1803 when he asked to be relieved of his duties. For the next ten years he retired to private life, purchased King Manor, and became a country



The Library, with bust of Rufus King over the mantelpiece.

The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry.

★ THE HOME ★
Insurance Company
NEW YORK

FIRE • AUTOMOBILE • MARINE INSURANCE

CREDIT—PAST AND FUTURE

Businessmen Must Gain a Better Sense of Values

by HENRY H. HEIMANN

Executive Manager, National Association of Credit Men



Since before the Revolutionary days our people have experienced alternate periods of adversity and prosperity. As we now look back and carefully analyze the historic events of those long-forgotten years, we realize that adversity is not always without its blessings. If, through our mistakes of the past, we chart a safer course for the future, we shall continue to make progress. Life itself is created out of suffering and when eventually our soul departs it usually is extremely painful to leave the world.

Turn back with me the measures of time for half a century. Let us jointly survey the conditions that existed then and the causes underlying a situation which we of a later generation can more accurately evaluate.

The decades after the war-between-the-states produced such a wide and rapid expansion in business operations that it well might be called the "boom and bust" era. As the war closed and the first transcontinental railway was opened, settlement of the Central, Western and Pacific sections increased by thousands. New stores were established. War heroes were encouraged to go into business. The demand for goods that accumulated during the war brought a rush of business. Almost every retailer found his book accounts pyramiding. Banks made huge profits on note discounting and on land mortgages. Discount rates of 8 to 10% were considered normal.

Depression and Rebound

In the first decade after the close of the Civil War some 33,000 miles of railway were built mostly on borrowed capital. Even equipment was made in England. Speculation in railway shares was rampant in this country and in Great Britain. Then came the panic of 1873. There were some five thousand failures in the one year and, in the five years following, the number of failures mounted to more than 47,000. By the early '80s the credit situation had "gone through the wringer" and another wave of business expansion and speculation was under way.

With this upward movement came a public demand for increases in our Federal currency. The result was the passage of the Sherman Act, also known as the Silver Parity Act. This law provided that gold and silver "be established on a parity basis upon the present

The keynote address delivered at the opening session of the Golden Anniversary Credit Congress of the National Association of Credit Men in New York on Monday, May 12.

legal ratio." Gold began to disappear. The failure of one of the world's largest banking houses, Baring Brothers in London in 1890, brought a further drain on the gold supply. Prices of securities fell sharply. Failures increased from a total of 10,344 in 1892 to 15,242 in 1893. Unemployment was general. Soup lines and bread distributing centers were set up in many localities. It was during this business turmoil that the first discussion of the need for an organization of credit executives was held.

Cooperation Unheard Of

Newsheadings in the daily papers during the summer of 1893 told the grim story of the depression of that day. With notices of failures coming in a flood from all parts of the country, credit men were loyal only to their own firms. The idea of cooperating with other credit men was farthest from their minds. When they heard that a customer was having financial difficulty, they immediately started a mad race to get on the spot first and thus grab off as much as possible. The slogan of the time might have been paraphrased as "Get there firstest to get the mostest."

Bread lines and soup kitchens were to be found in almost every community that laid a claim to being an industrial center. Unemployed workers walked the streets. The Knights of Labor, the forerunner of the labor union movement, enrolled members by the thousands. Street demonstrations and public riots became common events.

But out of this chaos came a few strong voiced business leaders who declared that American business had made mistakes—had learned its lessons the hard way—but should take courage to make a new start. The World's Columbian Exposition in Chicago was staged by some of these brave souls who predicted that the Exposition would serve as an incentive or a starting point for a business revival. One of the features of the Exposition was a Congress of Industries, at which business men met to discuss the problems of the past and to make plans for the future. Representatives were present from all sections of the country. The theme of the discussion among those pioneer credit executives was that financial officers could and should cooperate. While this meeting did not result in the formation of a credit organization, the seed was here planted that resulted in meeting at Toledo in 1896.

During that year, 1896, the gold and silver monetary

problem was made a part of the political campaign between William Jennings Bryan of Nebraska and William McKinley of Ohio. Some of the older readers will recall that this was a very closely contested campaign and that it was not until early the following morning that it was finally determined that McKinley had been elected. McKinley served one term and was reelected in 1900, when Bryan was again his opponent. In 1901 President McKinley was assassinated at Buffalo, New York, where he had gone to inaugurate the Buffalo Exposition, and Theodore Roosevelt took over the reins of the Federal Government. The effect of the election of McKinley over Bryan was a general quietus on the free coinage of silver proposal and the United States settled down to a monetary policy based on the gold standard.

In the meantime credit men all over the country in the early 1900's went to their capitols to promote laws to prevent frauds in the sales of merchandise stocks in bulk and worked together for the improvement of the Federal Bankruptcy Law which had first been enacted in 1898.

Industrial Revolution

The succeeding half century is a matter of common knowledge and participation for most of us and for the very young a matter of education. It is truly a revolutionary age. Let us review quickly what has transpired.

In the field of transportation we have witnessed a virtual revolution. The development of the gas engine inaugurated a new way of life. It has long since been a necessity to the working man; it has helped to remove the isolation factor in farming; it has changed land values; it has produced a highway system unparalleled in the world; it has accounted for suburban development; it has promoted education through contact by shortening distances; it has lightened the physical load; it has re-distributed our population; it has given the employee a new standard of living. Truly the gas engine has meant a great deal in the past fifty years.

The contribution of electricity to a better way of life has been tremendous. With the gas engine, it has removed much drudgery from the farm; it has emancipated the housewife from much of the toil and burden experienced by her ancestors; it has made for a development of water power; it has brought about an industrial revolution. It has literally turned night into day.

In the development of air power in the past half century, we have witnessed an expansion of our neighborhood. We are now living in a daylight nation, for to span the continent from sunrise to sunset is routine. We are exploring the stratosphere; we will soon have supersonic speeds. We have speeded up the mail; we have used air power for war and peace. To span the ocean is a far more commonplace experience today than it was to trek west in a covered wagon a century ago.

Science Striding Forward

The radio and television have brought the world into our libraries and sitting rooms. They have revolutionized the entire field of communication services. Television is no longer an experiment but an actual, practical fact.

In the field of science and medicine, the things to

come are amazing. Our chemical program has been tremendous. Medicine and surgery have moved forward. We have increased the average age of human life; never before have we been so health conscious.

We are now reaching for the moon with rockets. Even Jules Verne could not predict the future in this field of exploration. We have split the atom and stand on the threshold of development in the field of atomic energy. No one can prophesy the future of these discoveries. We have conquered the frozen north and made weather observations at both poles.

In the field of agriculture we have seen the production per man greatly increased with the aid of modern machinery. We have witnessed an amazing improvement in the quality of agricultural products through the aid of science. Farm marketing has never been so well organized as it is at present. Conservation of the soil has received more attention than in our earlier years. The improvement in animal husbandry has been remarkable. The farm price structure over the past half century has, on the whole, been satisfactory. It is only in recent years that it has had artificial support. Analysis of soil and application of fertilization has been advanced by science. The tractor and combine have expanded the farming unit and brought about a vast change in important farm methods.

The spirit of commercial cooperation among farmers is much better than it has ever been. Joint effort in purchasing and farm financing has been an economic development during the past half century.

Don't Overlook Liabilities

It has frequently been said that sometimes we are too close to the trees to see the forest. We have prided ourselves on all of these developments and we are entitled to be proud of that record. The present generation smugly feels it has been privileged to live in a period of time when civilization has reached its peak. The hazards of life have been reduced to a minimum for us. Many people would evaluate this era as being one of the greatest progress. In a sense they are right—but it has also been a period when we have lost some of our greatest assets and taken on severe liabilities.

The credit executive who looks at the assets of a balance sheet and overlooks the liabilities would soon involve his company in bankruptcy. The credit executive who is content to pass judgment upon the strength of a balance sheet and the stated figures of liabilities without taking into account the contingencies or conditions or unknown hazards not set down on paper will soon come to grief too. That we have acquired moral liabilities during the past fifty years, no sensible man will deny. In truth, a future historian will not be as complacent about our era as those of us who live in it. During all this period of scientific advance, we have almost totally failed in the proper development and study of the human factor. How will the future historian judge a people who twice during a half century engaged in a world wide struggle involving the loss of millions of lives and tremendous destruction of property? What will the historian of the future say about our scientific achievements when he notes that the very first use of atomic energy was not for construction but for destruction?

In the past, when our people were up against it, they courageously fought and suffered their way through to a sound recovery. In recent years, at the first sign of distress we have run to our government for help. The moral collapse of the past half century unquestionably is the greatest liability we have on our record. It is found in all fields of endeavor from the government itself to the individuals who compose the government. Even our own government saw fit to breach its contracts not once but time and again.

Family Ties Loosened

The spiritual consciousness of the pioneers has been checked in this scientific era. The thousands of unused and dilapidated houses of worship throughout the nation present mute evidence of this fact. The axis of any sound nation is a strong family relationship. We have seen this relationship in retreat for more than two decades.

We actually violated the laws of God in many respects. What will the future historians say about slaughter, not for consumption, but for destruction, of food and live stock? Will they say that once again we created a golden calf? Will they be tolerant of the fact that not to have destroyed them might have meant a hardship for a few? How will they appraise the practical demonstration of brotherly love in these situations? With so much of the world starving, will such a program be comprehended by those who in retrospect evaluate our times? What sort of confusion will they experience when they note this same people is now trying to feed the world?

We have seen nations sold down the river without the opportunity of even presenting their case. We have given lip service to a high moral precept and then by practical demonstration have made the nations who practiced it suffer. Suppose the historian comes from Finland—how will he evaluate the treatment of his own nation? Or from Poland? Or from Czechoslovakia? Or from China? In the matter of wastefulness, the prodigal son of Biblical times was a piker compared to us. We have not apparently remembered the value of thrift or of conservation. We have sought our own advancement in political matters not upon the strength of our own program but frequently by poisonous propaganda against those who would oppose us. We have fanned the flames of class prejudice.

Instead of utilizing science in all of its phases for the building of a better world, we have divided its application and directed it equally toward the destruction of some of the values we hold dear and which we know survive any history. We have sometimes failed in the common basis of honesty and decency. It is a severe indictment but let us be frank about it.

It is well to think of these liabilities, since they are offsetting factors to the assets we have created. These assets are of very little value unless they rest upon a morally secure foundation in the future. We need not, therefore, be too smug about our record of the past half century but rather courageously admit our failings and, when we project ahead, do our level best to reemphasize the human factor and the spiritual values.

What is the inheritance of the future to be? There is

no need to leave bricks and mortar and stone or even gold unless we leave also the knowledge that these material things are to be put to use for the betterment of mankind.

We who are engaged in the field of credit know that each credit transaction properly completed presents added evidence of man's confidence in man. In many fields other than credit, this confidence has been terribly shattered. We have a right to be proud of the spirit of confidence found in credit transactions in the commercial field. The spirit of cooperation that is needed in the world is one that will permit an orderly progress in the matter of bringing a better way of life, not alone to the people of our own nation, but to the people of the world. The world is possessed of adequate material and manpower, productive capacity, engineering skill and capable management. Science has blessed us with all the tools for a sound construction program. But in order to ensure that orderly progress, there must be a willingness to do so and, above all, a resolution to make individual sacrifices when by doing so we will improve the conditions in the world. There must be a practical demonstration of the material value of spiritual ideals if in the next fifty years we are going to seize our opportunity and use the new sciences and inventions and discoveries for the purpose for which God intended we use them.

It is indeed difficult to prognosticate and perhaps foolish to attempt to do so. However, what may transpire in the half century ahead of us is not entirely uncharted, for the safe course is reflected in history. The records show that in the great Grecian and Roman Empires it was material aggression and the deterioration of the spiritual consciousness that caused the downfall of these civilians. We must take care to avoid this in the half century ahead.

Future Can Be Splendid

The field of development before us is incomprehensible. There is today a greater realization than ever that the standard of living of the people throughout the world can be improved if we utilize the blessings Providence has bestowed on us. In this utilization, there is every reason why we should use the scientific discoveries, the modern methods of production and distribution, and world-wide credit program that will ensure a better way of life. Not to do so would be foolhardy. But all of the resources in the world will be of little value to this end unless human beings recapture the ideals and the spiritual values so essential to what I would term a well-balanced civilization. The early American pioneers more nearly displayed those ideals and that spirit. These so-called intangible assets were more responsible than the resources of the nation for this small group of colonies' expanding and winning a position of world leadership in the short space of a century and three-quarters. That position may have been largely won in the last fifty years but the real momentum and drive for it took root in our early days. But even our pioneers must not have emphasized too strongly the spiritual values. Had they done so we would not have so quickly abandoned them.

(Continued on Page 18)

ACCOUNTANCY IN CREDIT WORK

Auditing Experience Is A Basic Factor

by ARTHUR S. BURTON

Credit Manager, Bulkley, Dunton & Co., Inc., New York

During the last few years the Credit Manager has been placed somewhat in the category of "The Forgotten Man." All through the wartime boom period, with billions of dollars of ready cash available to American industry and commerce, there developed a cash turnover policy which did not permit extension of credit over the discount period in the great majority of cases. Collection problems were at a minimum, and, indeed, numerous collection agencies were forced out of business as the result of the industrial cash position in this country. Many concerns decided that their credit departments were non-essential and disposed of them for the time being.

Pre-war Conditions Returning

In the past few months there has been a very definite tendency toward a slowing up on payments, and American business is rapidly coming back to a credit extension basis similar to that which existed before the war boom; as a result Credit will play a very prominent part in the financial set-up of American industry. Lack of adequate working capital caused by tax payments, unbalanced inventories, loss of production through labor disputes, and, finally, the dwindling purchasing power of the American public, will force business in this country to a credit-seeking status, as there are no indications at present that our banking institutions, under Federal jurisdiction, will come to the rescue.

The Accountant's Role

With the foregoing facts facing us, it is the purpose of this article to point out the important part Accountancy has played in credit management, and is destined to play in the future, for a successful credit procedure. The mere comparison of quick assets to current liabilities is only elementary and the credit man who does not possess a thorough accounting knowledge is apt to make unwise and hasty decisions which will cause him endless trouble, so far as collections are concerned, and severe criticism from his company's officials. The ability to analyze, dissect and reconstruct balance sheet figures so that a true financial picture is presented is without a doubt the first qualification for successful credit determination. The comparison of balance sheet figures covering two periods using the "where got" and "where gone" method of application will reveal the trend which has taken place during the period, and will give the relative comparisons which are necessary as a basis

for credit.

Expert auditing ability is also an essential requirement of the successful credit man's profession (for profession it is), when one stops to consider the thousands of diversified accounting and bookkeeping systems in operation; and it is understandable why the credit man's knowledge should embrace the art of quickly analyzing, to his own satisfaction, any set of records he may be called upon to examine. Several actual cases will serve to illustrate the necessity of this phase of the credit man's work.

Balance Sheets—Pro and Con

Frequently, prospective customers object to furnishing accredited agencies with balance sheets and financial records on the grounds that they would reveal confidential information to their competitors. The writer can readily understand situations of this nature, and under the circumstances, you can hardly blame them. On the other hand, a great many of these same objectors will willingly open their records to a Credit Man when assurances have been pledged that all information is confidential and to be used only by the one permitted to examine the books. There are thousands in this group who are worthy of credit, and it is, therefore, the Credit Man's job to prove that their confidence is not in vain.

The following two examples will illustrate how the Credit Man pulls apart Balance Sheet figures and rebuilds them for the purpose of determining the amount of credit to be allowed.

EXAMPLE NO. 1

This case consists of a Consolidated Balance Sheet of four corporations, to be known as A-B-C and D. Individual Balance Sheets were requested inasmuch as the credit problem dealt only with "A" and had no bearing whatever with B-C and D, so far as consolidated responsibility was concerned. You will note that while the consolidated balance sheet looks rather substantial it does not show the financial position of each company. The following schedules will show the inter-company eliminations which are easy to trace through code letters showing the net result for credit purposes. Remember we are only interested in "A" corporation. The Profit and Loss Statements have been omitted for brevity.

(Continued on Page 20)

THE BUSINESS OUTLOOK

The Third of a Series By Prominent Economists

by DR. CARL D. SMITH

Director of Education, National Association of Credit Men

SThere is no doubt about it, the economy of our country is booming. Today we are turning out industrial and consumer goods in volume twice that of any pre-war output figure. But in spite of this tremendous business activity, the economic horizon is clouded with impending hazards. Like the mirages that appear out on the prairies on a hot summer day, these hazards are growing in size and complexity with a rapidity that is startling. Unlike the mirages, they will not disappear as we come nearer to them. Instead they are likely to explode in our face and temporarily blind our economic outlook.

As business men we can make no better utilization of our time than a persistent and careful study of current business trends. As we study these trends let us make an intelligent application of what we learn from them to our own business. This is no time for wishful thinking on our part and there is no use in believing that the present business activity will continue unabated for the next two or three years. Let us examine some of the hazards that are now clouding the economic horizon.

Prices Highest Ever

Prices in many commodities are now above the 1920 price line. Using 1926 prices as a base of 100 we find that all wholesale commodities in 1920 stood at 167 compared with 148 in February of this year. Farm products on the same commodity index stood at 170 in 1920 and in January at 165; livestock and poultry in 1920 was 134 and last January 190; dairy products stood at 135 in 1920 and in January of this year 165. Agricultural implements stood at 112 then and now are 118; building materials then stood at 168 and in January were 170; foods in 1920 indexed 149 and now index 156 and shoes were 165 then and now 171. Wheat in 1920 reached a peak at \$2.92 per bushel and a month ago on the Kansas City market it went to \$2.82. Cotton in 1920 brought .42c a pound and last week was quoted at .356c. Copper was .19c then and last week .215c. Scrap steel in 1920 topped at \$25.10 a ton and a month ago hit a top of \$39.50. Hogs in 1920 brought \$16.53 per hundred and recently broke through the \$30.00 top.

During the early weeks of this year business men and economists had a feeling that the price peak had been reached and that we would see a leveling of prices. Mark-downs in some retail prices, including foods, and an apparent clearing of the labor situation contributed

to this optimism. The resumption of the upward price movement during the past three months has changed our outlook upon the whole situation. Already union labor is succeeding with pressure for increased pay. Increased wages, once granted, cannot easily be lowered. Wage increases in industry and distribution, are generally reflected in higher prices.

Creates Real Danger

No one factor is more dangerous, at present, to our economy and to business stability than the current rising price tide. The annual price tag on the average family market basket was \$468.00 in January 1946 and has gone up to \$614.00. This is an increase of 31%. To this increase we can add another 4.3% for the month of February or a total of \$640.00. These rising prices place a definite limitation on consumer purchasing power and, in the end, may result in a partial or full stoppage of the flow of consumer goods to retail outlets. That happened in 1921 and it can happen again.

It looks now as though the stage was set for the play of tumbling prices to begin. In fact the curtain has been raised and action has already begun. The Newburyport Plan may be the opening scene. When that play starts, purchasers stop buying. When prices are on the rise they are willing to buy, for they know that by delaying they will have to pay more later. But when prices start on the downward slide purchasers wisely postpone all buying, for they know that if they can wait long enough they will obtain commodities at a reduced outlay. Not only does the consumer balk at buying but the retailer, the wholesaler, the manufacturer soon follow his lead. It is then that we have started a recession. Such a recession is rendered all the more likely by the recent rapid rise of prices all along the line.

Conditions Are Not Healthy

We cannot hope, in this country, to realize a healthy on-going business activity if it is built upon the present unstable condition of our economy. A business recession is inevitable and the sooner it comes the better off all of us will be. We must put an end to inflation and the sooner that halt is called the less severe the recession will be. We cannot go on pyramidizing prices, costs of doing business, wages, and all other important factors in our economy without sooner or later experiencing a downward trend in business activity.

Most businessmen prefer not to look at this dark

gathering cloud on the economic horizon. They would rather believe that the storm will not and cannot break. We can easily be deluded by looking at the 176 billion dollar national income, the unprecedented backlog of unfilled orders on our books and the savings which John and Mary Doe have available for spending, as forces which will prevent the break of the storm. We persuade ourselves that business will continue to be good as long as these reserves exist. We somehow lose sight of the fact that the individual's income is not going up as rapidly today as it did a year ago and that prices are rising faster than income. Food costs are up 30% as against a year ago, clothing 20%, and the general over-all cost of living has risen 18% during the year, and the plateau of the curve is not yet in sight. Consumer incomes have gained about 12% during the year. We know what happens when the rate of outgo exceeds the rate of intake. The average frugal American householder will act as he always has acted under circumstances such as these. In fact his action has already started and the business man who does not see it is not only stupid but mentally lazy and economically blind.

Inventories Down

Retailers, and other merchandisers quite generally, are watching with cautious care their inventory barometers. Those who are not doing so are destined for a rude awakening in the near future. The Federal Reserve Board Reports show that 296 department stores throughout the country began curtailing inventory orders last August. By February 1st of this year they had reduced their forward commitments by approximately 40%. Department store inventories apparently are not too much out of line provided sales do not decline too suddenly and too rapidly. We have no index as to what the situation is in respect to wholesale orders. It is a reasonable assumption, however, that wholesalers are trailing rather closely the trend of the department store merchandisers. Industry buying is also on short ration and is running on one to three month basis. A potential danger faces both the distributor and the manufacturer from the order cancellation menace. Cancellations of orders are becoming more frequent in favor of better prices or for the purpose of diminishing accelerating inventory. This is an important storm signal which every business man should note and read with intelligent care and interest.

The Production Angle

What is the outlook on the production front? The current flow of finished goods gives us encouragement. The automobile industry has begun to move into high gear and is now producing at an annual rate of more than five million passenger cars and trucks, but the industry is still handicapped from the shortage of basic materials such as steel and alloy metals. Charles F. Kettering told a prominent engineering society recently that it will take industry at least six years to reach the position where it can be said that it has caught up with the demand. But there are troubles ahead; orders for new cars are dropping off and cancellations are persistent. These are due to the price level and to the stiff installment sales regulations which require

a substantial down payment.

Steel production stands now at 95% of capacity as compared with 73.6% a year ago, before the strike forced production to a much lower figure. Engineering construction awards are at a lower level than a year ago but are now showing a tendency to rise slightly. The Federal Reserve Board Report of Aggregate Industrial Production at the end of January stood at 188 as compared with an index of 100 averaged for the period from 1935 to 1939. This index has risen within the past two months.

Will Drop With Prices

Production will reflect promptly a down-turn in trade and price. Once the recession gets under way it is reasonable to expect that production may be set back as much as 25% from the present high level. Industry is already showing some disposition to cut prices as, for example, the recent action by Ford and International Harvester Company. Other manufacturers have indicated their consideration of a similar move. These reductions in manufactured products, however, are a mere drop in the pail and will not affect the price structure to any great extent. The items that have contributed most heavily to the rise in the cost of living are food, clothing and farm products. The prices of these articles are heavily conditioned by labor and distribution costs.

Building Costs Too High

One industry on which we had counted heavily for a speedy come-back after VJ Day was the building industry. At no other point in our economy was there a greater immediate and potential demand than that of adequate housing. Price inflation of building materials may seem on the surface to be the chief handicap to a resumption of active residential construction but the present primary deterrent is the labor cost. The direct costs of building are 20% above the level of a year ago, and this does not include the protective amounts that contractors put in to hedge against delays, increased labor costs and the unforeseeable items.

In metropolitan centers, where the need for new homes is most acute, building activity is receding rather than accelerating. In Philadelphia a house which the architects estimated on current prices should cost \$15,000.00 actually drew the best possible bid of \$28,000.00. Three-room apartments on Long Island in large apartment blocks now under construction will have to rent for \$84.00 a month in order to carry the maintenance, amortization and a minimum of profit allowance to the owner. These are being built for veterans who, in most cases, will not be able to meet the rental. Government subsidy is not the answer nor will continued governmental controls on housing help the situation. Costs are entirely too high to interest the average potential home owner or to encourage those who would build for investment purposes.

Our national income on an annual basis is now 177 billion dollars or at the rate of \$1,360.00 per capita. Economists estimate that the recession may pull this income down to 150 billion dollars or \$1,153.00 per capita. This would mean a per capita reduction of income for the average family of four of \$828.00. This is a sizable curtailment in the purchasing power of the

family and would, of course, be at once reflected in the purchase of luxury and non-essential items. Food, shelter and clothing, the necessities, will be given priority by purchasers. The demands now being made by workers for an increase in wages seems justifiable in light of the increased costs of living. As these increases are granted they must be added to the costs of production and when reflected in price increases may well be the straw that breaks the camel's back and lets down the volume of business activity.

Lessons From the Past

What does economic history reveal as to the reactions that have been felt in other days when situations similar to those we now face have developed? Is there a common pattern by which we may obtain a picture of what to expect? Let us take a look at the records.

From 1915, when the United States began to become indirectly involved in World War I, to May, 1920 prices sky-rocketed 141%. Then the consumers balked at further purchasing and a buyers' strike was on. Commodity prices declined 43% within one year and then began a period of stability and prosperity which lasted until 1929 when a price decline again pulled the level down to a point lower than it had been before the war in 1917.

In 1861 we had an internal war on our hands. By 1864 prices had risen 154% above what they were in 1861. Within a year after the termination of the war the decline had set in and continued to hold its downward course for nearly six years. Low prices prevailed through the '70s and the '80s.

Both the Mexican and the Spanish American wars were of too short duration to have any noticeable effect upon our price economy.

The Same Effect Every Time

When the War of 1812 broke, prices began a sharp rise. Within two years they were 53% above the level at the outbreak of the war. By 1819 prices were lower than they had been when the war started.

In 1781 we won our independence from Great Britain. At that time the price structure had risen 300% above the level it held in 1776 when the war began. The decline in prices started in 1783 two years after the war ended and continued downward for five years, until they reached the approximate level of 1776.

Spot commodity prices according to Moody's Index are now 106% above the 1941 average and a month ago were 115% above the 1941 level. The pattern seems to be reasonably clear and there is no doubt but that we will conform to it in the days ahead.

Government Too Expensive

The business outlook for this country will be quite largely conditioned by the manner and the extent to which we as a nation handle our fiscal policies and problems. The balancing of the federal budget is a necessity in our governmental economy. It can only be done by eliminating unnecessary government functions and services and by scrutinizing with businesslike care the financial commitments of the various governmental bodies. In the interests of good business, and of

good government we must address ourselves to a realistic re-organization of our tax structure. We need to give thought to new techniques of legislative action which will prevent wholesale appropriation of funds which have not yet been collected or created and made available in the Treasury before the appropriations are passed. Emergencies must be met when they arise but we must call a halt once and for all to the constantly recurring emergency of deficit spending.

Over-All Picture Is Bright

Is a major depression immediately ahead of us? I do not believe so. While the immediate outlook may not seem too encouraging, a long range view is distinctly bright. We are due for a re-adjustment, a recession, or call it what you may, and I am bold enough to say that I think it will be a good thing for us. I hope we can think of the period ahead as a re-adjustment and a re-evaluation process by which we, as a people and as a nation, shake ourselves down to a more realistic consideration of the basic values of life and of weighing those values in terms of social, economic and spiritual resources of our people.

America has a great future ahead of her and I am confident that as a people we will measure up to the responsibilities and the obligations that devolve upon us by reason of the position in world leadership which we now hold. What America did in the World War she can do in the World Peace. As business men we must see to it that our national resources and productive ingenuity are utilized to the limit in rehabilitating peace-loving peoples. The most effective antidote to Communism and its insidious processes is a busy, economically productive, harmoniously working America, whose people are inspired and motivated by a deep religious sense of moral and spiritual values.

Demand Obviates Hard Depression

The need for new homes, for expanded and modernized plant facilities and for durable industrial goods of all kinds is of such proportions that it is inconceivable that we, as a nation, should become bogged down at this time in a major business depression. Recessions start through a definite stiffening of resistance to prices in important commodities, notably food, clothing and building materials. That resistance has already begun and within the next three or four months price decline in these and other lines will have been well on its way.

How far the decline will go no one knows. It may drop 25% to 35% or even more. Production will slow down in many lines and unemployment may reach four million or perhaps five million before the recession will turn the bottom of the curve. Industry and, in fact, all business activities will maintain as few workers as possible and in the process of elimination the less efficient will be weeded out. Those so eliminated will find it difficult to get back on the payrolls particularly if their record of production has not been good.

Let It Come Soon

We hope the recession may be avoided, but if it must come, the sooner the better. It will do much toward

(Continued on Page 20)

ORGANIZATION AND FINANCE

Planning and Budgeting Are Essential To Success

by J. F. BUEHNER

Secretary-Treasurer, Standard Paper Box Corp., Los Angeles

All pilots in the Air Corps were briefed before going on a mission. No matter how much they knew about the trip to be made, a short, accurate description of the course to be followed was presented. The hazards to be expected were explained and pointed out. Then an alternate course and emergency landing fields were charted wherever possible, just in case the plan went wrong.

We know the business course to follow is to get into steady production as quickly as possible. Plans and controls must be charted for the job to be accomplished. We must also consider alternate courses and have emergency landing fields selected. Purchasing, Production, Sales and Financial executives must be prepared to brief one another and in turn regularly brief their staffs to meet changing conditions ahead.

Cooperation Universally Necessary

"COOPERATION IS NOT A SENTIMENT, IT IS AN ECONOMIC NECESSITY."

Although this slogan has been in use by the National Association of Creditmen for years and applies among credit grantors, it is also true that cooperation is an economic necessity within each and every enterprise. Unless each department of an enterprise cooperates effectively with every other department, an economic loss is sure to follow.

Every enterprise needs *Men, Morale, Money, Markets, Machines, and Materials*; all well organized and controlled for successful and profitable operations. Books have been written on what makes good organization and how good organization produces the desired result of economic production. It is necessary to recognize the sign posts and be guided by sound procedures.

Production planning and production control, based on existing backlog of orders, is a job for skilled technicians, if the maximum of efficient productivity is to be obtained and a smooth flow of production is to be maintained. Production planning for future business calls for a thorough analysis of present and potential markets. A reasonably accurate sales forecast must be developed for the use of such future production planning. Both current and future production planning, and control must dovetail with financial planning. Maintenance of adequate working capital, and careful financial control of all expenditures is necessary to implement all planned production.

All enterprises which were in business before the war

are now passing through the final stages of reconversion and adapting themselves to changed conditions:

1. Industrial relations are playing a large part in postwar planning and most enterprises realize the importance of maintaining a high morale among employees. It is only through the efforts of men under good working conditions that machines can be made to produce quality goods in sufficient quantity to make operations profitable.

2. During the war these enterprises ran their machines at higher speeds and for longer hours. They were forced to improvise with repairs and maintenance because of inability to get replacement equipment. Forward-looking enterprises want such replacement machinery to embrace all of the improvements that were developed during the war but are faced with a continuing delay in getting deliveries. They realize that they will be required to produce more and better goods at a lower cost, in order to meet the competitive period just ahead.

3. All are faced with material shortages and are striving to build necessary inventories to ensure smooth production. It is also necessary to be on the alert to obtain improved materials to insure an improved product in order to attract the postwar market.

Exit One War-Baby

Some prewar firms are having difficulties, as for example: there was a well-known manufacturer of sound equipment here on the west coast before the war, who went all out for war production. Its equipment and personnel was expanded about tenfold to meet government orders. Most of these orders were of an emergency nature. This firm made what it thought was substantial profits during the war period. It invested heavily in specialized equipment and greatly expanded its force of technicians. The principals took rather substantial salaries for themselves.

At the end of the war, the firm found it difficult to maintain a sales volume equivalent to its prewar business. It did not move rapidly enough in reducing its staff of technicians and dispose of excess productive equipment. To add to its troubles, the war period had more than doubled labor rates, and its labor force had come to expect a continuation of various entertainments provided for them during the war. In the midst of all of these reconversion problems Uncle Sam renegotiated its contracts and levied a claim in excess of \$400,000.

This series of blows forced this firm into the hands

of creditors. Even though its products have worldwide acceptance, it is questionable whether it will ever be able to work its way out of its difficulties.

Other prewar firms have been more fortunate, as is illustrated by a west coast rubber products company, who formed a subsidiary to manufacture war goods. It continued its production of civilian items as far as restrictions would permit. This farsighted plan found it, at the end of the war, in a good, competitive position. It was able to liquidate its war products division and continue to expand its existing civilian market. Today it is one of the best known producers in its field, emerging from the war about ten times as strong as it was at the beginning of hostilities.

Some Must Learn to Sell

Most enterprises which were born during the war had Uncle Sam as their sole customer, and could sell their total output with practically no effort. They now find themselves faced with the necessity of creating markets, financing their own inventories and receivables, and, in many cases, entirely changing their product to satisfy available markets and utilize their productive machines. They are also facing the problem of distribution for the first time. Many are learning, to their sorrow, that it was relatively easy with one customer, but that their problems multiply a thousand-fold when they must sell to a large number of customers in order to keep their production machines busy. In reconverting for postwar business, they are also finding that the competition of the old-line enterprises, with years of "know how", is making it indeed difficult for them to remain in business at all.

Such an industry can be illustrated by a plastic firm that started here in Los Angeles, making many highly specialized items, with Uncle Sam as its only customer. It was successful in obtaining the last word in plastic moulding machinery and in setting up a very elaborate and efficient die and tool shop. Many thousands of dollars were invested in specialized dies and tools. This firm was so busy with war production that it gave no thought to postwar distribution.

At the termination of hostilities, it turned to the manufacture of photographic equipment. For a short time it was apparently successful. However, it was a high-cost producer and had much to learn in coordinating its production with customer demand. It soon was faced with the necessity of closing down its tool and die room to cut costs. It found that its customers were beginning to fall away as the old-line producers of photographic products began to reappear on the markets. It, too, has fallen into the hands of the creditors and is now in the process of a drastic retrenchment, being forced to sell off most of its equipment. It is questionable whether it will be able to survive at all in the competitive field, even on a small scale. It is paying the penalty for lack of foresight and planning.

Some Survive

Occasionally, however, some of these war babies have been well managed, as can be illustrated by one firm, comprising several capable mechanics, which set up a

business, manufacturing machined parts, and was able to obtain turret lathes and other necessary machine shop tools. It continued to grow during the war. As the war neared its close, it gave close attention to accumulating surplus raw material inventories and began to build a civilian distribution set-up. Its post-war production has turned out to be stainless steel household items. This firm is now highly successful, with several branch plants and will undoubtedly keep pace with the growth in this area.

Those enterprises which have gone into business since the war are at a disadvantage in that they are faced with a much higher investment cost in order to get into business. They are also immediately faced with many Governmental rules and regulations, reports, licenses, etc., with which the old line enterprises have gradually learned to live. These newcomers, however, do have an advantage in that they can start off with the last word in production machines and materials. But they too are faced with the short supply of such items.

To illustrate, there were several highly skilled production engineers who, finding themselves with substantial savings from war time earnings in a local airplane plant, decided to set up a manufacturing plant for fishing gear and other similar equipment. Their production "know how" enabled them to design excellent products. They were able to plan effective production flow. But, as time went on, material shortages and lack of adequate financing slowed them down to such a point that they had only begun to produce in quantity when some of the old-line companies returned to the field. They quickly learned that they had not paid enough attention to the problem of selling and distribution and soon found themselves in a bankrupt condition. As a result, they have lost their entire war time savings and they are back again working for the airplane companies.

Planning Pays Off

Conversely, good planning and good management was shown by a group of men who had developed wartime skills in the manufacture of plastic products, particularly in the cosmetic line. They put brains, money, and planning together in such a way that, since the end of the war, they have not only produced a superior line of items, but are on their way to national distribution. They will undoubtedly become one of the leading companies in their field.

Most enterprises now find that wartime Excess Profits Tax has left them with insufficient cash reserves to replace war-worn and obsolete equipment. They also need replenishment of peacetime inventories, which must be obtained at a higher cost. Added working capital can be provided by Capital Contributions of the owners or by the sale of Stocks, Bonds, or Debentures to the Public. Such enterprises, in increasing numbers, are also obtaining bank loans, secured or unsecured, on a long term amortized basis. They thus maintain their current working position and place themselves in a position to retire such long term obligations out of anticipated future profits.

A trend is also developing among many enterprises
(Continued on Page 17)

CONSUMER CREDIT IN 1947

Sound Terms Are The Essence of Prosperity*

by FRANK G. ANGER

President, Industrial National Bank of Chicago



The consumer was in some sense of the word the forgotten man during the war when the efforts of the whole nation were concentrated not on the fulfillment of consumer wants but upon providing the stuff with which wars are fought. The poor consumer had to take what was left over after the primary needs of the war machine were filled.

He found most of the things he wanted unobtainable. He, or rather she, stood in line for the necessities of life; surrendered precious ration coupons if she was fortunate enough to get what she wanted. Courtesy and service were more conspicuous for their absence than for their presence. People dreamed of the day when things would be different, when the consumer would again be top man and be curried and waited upon as he was in the past.

Consumer Is the Final Judge

The consumer knows that he occupies the keystone position in our scheme of things and that he and he alone determines what products he will buy, what services he will use, and from what companies he will obtain them. You who spend your time and energies in studying and practicing the art of influencing consumers to exchange their money for your products and services, know and recognize his importance. Among the many tools you use in your art is that of credit—a means of making it easier for the purchaser to acquire what he has already made up his mind he wants.

Credit is not an end in itself—few desire credit just to have credit. It is, however, a vehicle for making possible the present enjoyment of a desired commodity in exchange for a promise to pay in the future. It is the anticipation of future earnings, as savings are the deferment of the spending of present earnings into the future.

There are of course many types of credit, but here we shall confine our attention principally to consumer credit and its role in stimulating and maintaining sales volume. There was a time when our economy was principally agrarian, when consumer credit was not of significant amounts. Even then it existed in the form of book accounts of the local storekeeper, but it was not as extensive or formalized as it is today. With increased industrialization new techniques of instalment credit were evolved to meet the needs of the changing

* An address before the Chicago Sales Executives' Club on March 13, 1947.

economy. Credit played a major role in making possible the mass production of the more expensive units of consumer goods.

The automobile industry is probably the best example of an industry whose growth and development depended to a large extent on instalment credit to make possible the sale of its products. Without such credit the automobile industry would not exist in the form we know it today.

Credit Volume Is Huge

Consumer credit has today reached significant totals. To give you an idea of its relative importance, total consumer credit outstanding last June 30th was about one-fourth as large as all loans of all the banks in the United States. The amount of consumer credit varies upon economic conditions and the availability of goods.

In 1941, the last full peacetime year, instalment credit hit a new high as consumers sought to purchase enough durable goods to tide them over the war period. Outstanding consumer credit went up to ten billions of dollars.

About that time the government issued Regulation W in an attempt to lessen the demand for goods made out of critical materials needed for the war effort. This regulation specified maximum maturities and minimum down payments on all commodities using critical materials. Within a short period all scarce commodities were put under strict governmental control, but the regulation was continued on the theory that its effect was anti-inflationary.

Due in part to this regulation, and in a greater part to the absence of durable consumer goods, by 1943 instalment credit had declined to about five billion, almost one-half its 1941 high. From that low point it rose about half a billion in 1944, and a billion in 1945. The year 1946, however, saw it jump up three billion dollars bringing the total consumer credit outstanding almost up to the 1941 peak.

Credit Ratios Change

Although the outstanding consumer credit is now about where it was five years ago, there have been some significant changes in the component parts that go to make up these figures. Before analyzing these changes let me remind you that the total of consumer credit is made up of two large groups: instalment credit, and all

other including single payment loans, charge accounts and service credit. The instalment credit group includes in the order of amount outstanding in 1941: Loans, Automobile sales, credit and retail credit of furniture stores, department stores, household appliance stores, jewelry stores and all other stores. Now in 1941 the instalment credit group accounted for about 60% of the total, but in 1946 this had shrunk to 40% of the total, outstanding. Stripping instalment loans out of the instalment credit total to get at instalment sale credit only, we find that instalment sale credit in 1941 was 40% of the total, while in 1946 it was only 15%.

Thus we see that the growth in consumer credit since 1943 has not arisen out of sales of merchandise on the instalment plan, with which transactions we usually associate consumer credit. A major portion of this increase is attributable to the regular 30-day charge accounts which jumped from 1.7 billion in 1941 to 3 billion in 1946.

This increase in charge account credit, while phenomenal, has not kept pace with the increase in department store sales as cash sales increased at a higher rate than charge account sales.

With relatively higher incomes and no durable goods available during this period, the public spent more money in department stores. The increase resulted from the opening of new accounts more than it did from larger purchases made by previous charge customers.

You will in the days to come hear about how high the consumer credit totals are getting and it would be well to bear in mind that a rather substantial percentage (30% as of December 31, 1946) of the total is in charge accounts or short term credit.

Future Calls for Caution

The fact that we are near the all time high in consumer credit outstandings in spite of the fact that goods have not as yet been readily available, is cause for some reflection. It seems obvious that during this year and next as the flood of durable goods comes to the market the demand for credit will be great. This is going to bring the total credit well over where it was anytime in the past. The sheer magnitude of large totals should not in and of themselves be cause for concern, but students of the economy will watch them closely and relate them to national income.

Total outstandings could increase some 70% before the ratio of outstandings to income would be out of line with pre-war ratios. Ratios are tricky things, especially when two variables are compared. Should national income drop more rapidly than the debt the ratio changes and the debtors find it more difficult to pay out of reduced income. Just as it is only prudent financial management for the individual to keep enough margin between his income and fixed expenditures to cushion such adjustments, so collectively total consumer debt ought not to get out of line with income. No one can state precisely where that line is, but it might be better in the long run to err on the conservative side than on the too liberal side of the line.

This requires some restraint on the part of sellers, buyers and financial agencies with respect to down payments, maturities and rates. If each individual transac-

tion is set up on a sound basis the total consumer credit, even if large in amount, need cause no concern.

Automobiles for Instance

In an attempt to see what potential volume of instalment credit is ahead let's look at one segment of it—automobile financing.

As we have seen, automobile financing has always been one of the major items in the group, reaching almost \$2 billion in 1941. As would be expected with auto production in 1946 not too impressive, there is only about half a billion auto sale credit outstanding as of December 31. With output of automobiles increasing and total production scheduled around the 5 million unit mark for 1947, auto sale credit will expand rapidly this year. At a low average of \$1500 per unit, 5 million units represent a total sale price of \$7½ billion. Not all of these cars will be financed. Before the war at least six out of every ten persons buying a car would buy it on time, while at the present time it is estimated that less than two out of ten are financing their purchases. I would attribute this drop in the per cent of cars financed to the fact that cars thus far sold have commanded a premium price, either in smaller trade-in allowance, in extra accessories, or just plain bonus, and that the person who could afford to pay this extra was more likely to be the fellow with cash. The number of cars thus far produced has not been large enough as yet to reach the fellow on the street who traditionally buys his car "on time."

What About Those War-Wages?

Speaking about the man on the street: What has been done about his high war-time earnings? Has he salted them away so that he is now in a position to make his needed purchases out of savings without having to resort to borrowings? Well, the figures do not seem to show such an affluent position. It is true that the liquid assets—currency, bank deposits, war bonds, etc.—held by individuals increased tremendously during the war period from \$48 billion to \$152 billion at the middle of 1946. This is certainly a sizable sum of money, the disposition of which will affect the course and level of economic activity. These liquid assets amounted to \$1,750 per spending unit at the end of 1945. (A spending unit is a family group which pools its income). Now if each of the spending groups held this amount of assets it would appear that the present demand for instalment credit business would not be very large. However, this is not the case for we find these assets very unequally distributed. The top 10% of the spending units held an average of \$10,500 in liquid assets and accounted for 60% of the total, while the lower 40% of the spending units held only \$40 per unit—a mere 1% of all liquid assets. Not only is there a lack of savings out of which to make purchases, there is also the increase in total consumer debt to which we referred before.

Savings and Prices

Thus it would seem that the holdings of liquid assets are not such that the majority of people are going to have enough money to make cash purchases of durable

goods; they will, therefore, have to resort to instalment financing to make their dreams come true. Those who have savings will find that the general price increase has reduced their value considerably.

In 1940 it was possible to buy a 4-door Plymouth (without accessories) for \$877, while today the same car costs \$1,359, if you can get it without accessories, or \$482 more. In 1940 you could get it by paying \$292 down and the balance in 18 monthly instalments of \$31.91 (exclusive of interest and insurance). Today it would require a down payment of \$453 and 15 monthly instalments of \$60.40 each to purchase this same car. The increase in price and the shortening of the terms to conform with Regulation W have increased the down payment \$161 and the monthly payment \$28.49. To get the full picture one should relate the pre-war monthly payment of \$31.91 to the average weekly wage then earned \$28, and the present monthly requirement \$60.40 to the present average weekly wage of \$46. This is what we mean when we say we price people out of the market.

To meet a payment of \$60.40 each month the purchaser should have an income of better than \$362.40 per month, unless he is going to spend more than 20% of his income paying for his automobile.

There are those who would advocate as a solution the lengthening of the time for repayment in order to bring the monthly payment more in line with income. That may make it possible for some who could not otherwise buy, and easier for the others, but it does not make it cheaper or safer.

A Word About Terms

This would be a good point at which to digress for a moment and discuss maximum terms of repayment. Presently the maximum maturities are fixed by Regulation W at 15 months for most durable articles. There is much agitation on the part of sellers and financial men for the removal of this regulation on the ground that it discriminates in favor of the person who has money at the expense of one who does not. It is also condemned as being another unwarranted interference by government in private business. The authority for this regulation stems from an Executive order of the President, but the Board of Governors of the Federal Reserve System has asked that Congress give it permanent authority to regulate consumer credit.

As goods become more plentiful and sellers again aggressively seek sales the pressure will mount to extend terms of repayment without regulation—24 and even 36 month terms on automobiles may again make their appearance. And the pressure to extend terms will not all come from the sellers. There are more financing agencies in the lending business today than there were in pre-war times. Rates on the whole are somewhat lower than prewar, while operating expenses of consumer lenders have risen. It therefore takes a larger volume of finance business to make the same profit today than it did in the days of higher rates and lower costs. The financing agencies themselves are aware of the economics of the situation and are out after volume; competition between them is stiff and in the absence of regulation could easily be expressed in longer terms.

The lengthening of terms not only increases the risk

of the lenders but also of the purchaser. The law of depreciation will not continue to be suspended as it has been during the past five years. Speaking about terms—there is the story about the veteran who wanted to buy a sleek two-tone convertible sport roadster. In response to the dealer's question as to how he wanted to pay for it he replied: "Twenty dollars a month." The dealer, somewhat taken aback, told him that he would be paying for it for over five years. The veteran looked again at the car and said "Well, I think it's worth it."

The purchaser may want longer terms, the seller may want longer terms, and the financing agent may want longer terms, but it is not good business to allow terms to become too extended. No sale is a sale until it is completely paid for, and a sale on which anyone loses is not a good sale.

The bankers of the country can do as much to keep the instalment credit business on a sound basis as any regulation. They supply a major portion of the money used by most finance companies and can use their influence upon the finance company borrowers to keep terms within sound limits. They can also set the proper example in their own direct lending to consumers. Banks have become a major factor in the consumer credit field in their own right. Of the 15,000 banks in the country today, 10,000 of them are now, or will be, in the instalment lending business. Some of them lend directly to their customers, others purchase sales contracts from the dealers, following the pattern set by the finance companies. The entry of banks in such large numbers in the instalment lending field has come about mainly through the recognition on the part of the bankers that they had an obligation to fulfill the credit needs of communities they serve, whether the loans be large or small. It is a recognition of the economic importance of the middle class, a democratizing of banking.

Banks Have Increased Competition

The entry of the banks has led to increased competition for the available business, but with the rapidly expanding volume there should be an ample quantity of business for all agencies. In most cases banks are better equipped to handle the credit needs of the persons in their communities than finance companies. The finance companies, however, through long years of experience in the field, through business relationships established by giving dealers adequate service, will retain a good portion of the total.

The finance companies operating on a nation-wide basis have the advantage of being able to present a uniform national finance plan to a manufacturer who sells his product across the country. Thus far the banks have not been successful in being able to offer such a uniform national plan. This, however, has not proved to be an unsurmountable obstacle to attracting such business. Witness such national manufacturers as International Harvester Company and J. I. Case Company recommending to their dealers that they make arrangements with their local banks to finance the sale of their products. Both of these companies felt that their dealers and customers would be better served by a local bank than by any other agency.

(Continued on Page 31)

DID YOU KNOW THESE ANSWERS?

Lawyers' Terms Can Be Very Perplexing

by CARL B. EVERBERG
Attorney-at-Law, Boston

1. If articles are sold under a conditional sale to become attached to real estate upon which there is already a mortgage, will an agreement between the vendor and vendee that they are to remain personal property effectively secure to the vendor the right to remove them against not only the vendee but the mortgagee?

The answer to this question will differ according to states and according to the mode of annexation to the real estate in each case. But a comparatively recent case in Massachusetts (General Heat & Appliance Co. v. Goodwin, 316 Mass. 3 (1944) should act as a caution to purveyors of machines, apparatus, and other fixtures which are to be installed on a more or less permanent basis in homes or other establishments.

In this case the vendor installed a combination oil burner and winter air conditioner in a dwelling house under a conditional sales contract. Admittedly it was an article, which, though weighing when assembled 730 pounds, could be disassembled into easily handled parts and removed without injury to itself or the real estate through doors.

It was understood and agreed between the vendor and vendee that the title to the property was not to pass to the buyer until the total price was paid and *that it was to remain personal property and not become part of the realty* and that, further, the seller had the right to take possession on default.

The vendee had not long before executing the said conditional sale given a second mortgage on the real estate which had been recorded. The mortgagee later assigned his mortgage and the assignee a few months later, foreclosed.

On a bill in equity by the vendor against the vendee, the first mortgagee and the assignee of the second mortgage, asking for redelivery of the apparatus, the Court held the vendor was not entitled to repossess against the new owner who had become so by foreclosing the second mortgage. On the question as to whether the equipment had become part of the realty it said that it had to consider the "adaptation to the end sought to be accomplished and the means, form and degree of annexation."

Of course the bargain would have been enforceable against the vendee but if the articles were found to be parts of the realty, an agreement that they should be treated as personalty and that title should remain in the vendor would not bind a prior nonassenting mortgagee.

In states following such doctrine, in the interest of the

security of the vendor the necessity undoubtedly devolves upon him to ascertain the existence of mortgages upon the property at the time such articles are to be installed and obtain the assent of such mortgagees to the title-retention rights in the conditional sale. As to subsequent mortgagees and purchasers, recording under the recording statutes brings about a different question which will be answered in a later issue.

2. Has a creditor of a corporation any rights at all to look to either directors or stockholders for personal liability?

It is commonly supposed that neither stockholders nor directors (officers) have any personal responsibility to creditors of a corporation, except where they guarantee payment or stipulate specifically to become bound personally. And generally this is true. Yet both by common law and by virtue of various statutes (differing from each other according to states) personal liability may be established against both stockholders and directors under certain conditions. It therefore behooves a creditor who may have been unable to satisfy a debt out of a corporation's assets to investigate a little further to see whether there might not be a ground for fixing liability on some or all of the members of the corporation or the directors or officers. This kind of investigation has at times paid off quite well.

Stockholders, first of all, who pay less than the par value of stock in its original issue, will be held liable to creditors for the amount unpaid on their shares or at least as much as may be necessary to make up the deficiency in the corporation's assets needed to discharge all debts. This principle applies as well to no par stock except that the stockholder is liable for the difference between what he paid and the stated value at the time. *The Easton National Bank v. The American Brick & Tile Co.*, 70 N. J. E. 732.

Then stockholders who receive stock issued as fully paid up in exchange for property of a fictitious or inflated value may be called upon by a court in equity to satisfy a creditor who has relied upon the asserted value of the corporation's assets to the full amount of the face value of the stock. Such a situation would be especially ripe for a creditor's claim where certain individuals offer property to a corporation, which they, themselves as officers of the said corporation accept and issue stock to themselves and become the sole stockholders of the corporation. *Electromatic Cooling Co. v. Milne-Ryan-Gibson, Inc.* 160 Wash. 320.

In many states there are various grounds for a stockholder's liability based on statute. In Mass. for example, stockholders of a corporation which reduces its capital stock and reduces the assets likewise, or renders the corporation insolvent thereby, are liable for the debts of the corporation existing at the time of such reduction to the extent of the amount withdrawn and paid to them respectively, in the event the corporation is adjudged bankrupt.

A stockholder, even though innocent, who receives dividends at a time when the corporation is insolvent may be compelled to refund such dividends for the benefit of creditors. The doctrine upon which such a rule is predicated is that money paid after insolvency was taken from a fund held in trust for creditors and did not belong to the corporation. *Bartlett v. Smith* 162 Md. 478.

The grounds for personal liability of directors and officers of a corporation are broader. By statute in many states they may be personally liable if during their tenure stock is issued in violation of the statutes requiring capital stock to be issued for cash at not less than par. But in such states as require statements or reports to be filed they may be personally liable for debts at a time when any report filed is false in any material representation. They may be liable if they know it was false or on reasonable examination they could have known it was false. Massachusetts has a typical statute requiring an annual report to be filed with the commissioner of corporations and this becomes a public record. It is no defense to the directors that they acted on advice of counsel in preparing the report if in fact it could be found that there was a false statement. And a statement is false if they state that a certain amount was "paid" on its capital stock when a considerable portion of the stock was issued for property whose true worth was less than the money equivalent. *H. B. Humphrey Co. v. Pollack etc. Sled Co.* 278 Mass. 350.

Strict Enforcement

How strictly the courts enforce this statutory liability against officers and directors may be seen in the case of *United Oil Co. v. Eager etc. Co.* 273 Mass. 375. Here the certificate of condition filed by a corporation showed "autos, trucks and teams" valued at the original price although they had been in use for ten years. In this respect there was a false statement of a material fact—at least as that item stood alone. Hence there was personal liability on the officers and directors. There seemed to be some extenuating circumstances in this case in that there was an entry under "Reserves" on the "Liabilities" side (without explanation however) which had the effect of offsetting this excessive valuation of the assets; the net worth of the corporation was thus accurately shown. This did not help, however; the court commented on the fact that any one examining the statement would infer that the amount of value stated for the autos and trucks could be reached to satisfy the debts of the corporation.

It may be well to interpolate here that the statute expressly excuses directors who vote against an illegal issue of stock and whose vote is recorded. Furthermore only the officers signing the statement of condition are personally liable.

In Mass. directors are personally liable for declaring or assenting to a dividend if the corporation is thereby rendered bankrupt or insolvent to the extent of the dividend. They are also made liable for debts contracted between the time of making or assenting to a loan to a stockholder or director and the time of repayment of the loan, to the extent of such loan. However, directors who vote against such dividends or the making of such loans are excused from liability.

Besides the statutory liability of directors and officers (which as has been said varies according to states) cases may be found where directors who are guilty of a conscious betrayal of trust and who engage in fraudulent practices to the injury of the corporation, are liable.

In any event, creditors of a corporation may do well to bear in mind that there are contingencies under which liability may be fixed on the members, the officers and directors of corporations.

3. What is the power, if any, of an agent who has been discharged by a principal, to bind the latter?

All persons who have dealt with an agent or who are cognizant that a certain individual has acted as an agent for another and are apt to deal with him, have a right to presume that such authority will continue until notice of the termination of the agency. Therefore any act of an agent within the scope of the authority heretofore vested in him, will be binding on the principal, even though done after revocation of the agency, unless notice of such revocation has been given to those persons who have had dealings and who are apt to have other dealings with the agent on the strength of his former authority.

As to the nature of notice it is best to give actual notice to creditors or those who have been and may be creditors again. If there are others who might be misled by the pretense of authority on the part of a discharged agent but whose identity cannot be definitely known by the principal, actual notice would be impossible and therefore some kind of publication would be the only substitute.

ORGANIZATION and FINANCE

(Continued from Page 12)

of improving their working capital position by selling their buildings and real estate. They then make long term leases on such properties, feeling that it is much better to have the cash working in their business rather than to have it tied up in buildings and real estate.

After adequate working capital is available, proper financial planning and budgeting must be coordinated with organization planning and control in such a way as to:

1. minimize all expenses of operation, both direct and indirect;
2. fund long terms debt;
3. provide adequate cash reserves;
4. assure low cost operations based on proper cost controls; and
5. provide a proper balance of interest between customers, employees, and stockholders so that the business may continue to grow and prosper in the years ahead.

Credit—Past and Future

(Continued from Page 6)

As we look forward to the next fifty years, let us again remember that as we plan wisely, out of adversity we can gain some benefits and thus in planning for the future we can avoid the pitfalls of the past. Why not for a change, and because it is so sorely needed, tie in every human effort with at least some of the spiritual fabric that seems to have been missing in recent years? A program that might be suggested would be first, a complete religious revival. It is not intended to use this in the sectarian sense nor in the narrow sense, but it is intended to imply that what is needed is a squaring of our business program with a sound human relations program; and that in itself is religion of the highest order. Industry and commerce when decently conducted are in themselves an exposition of true religion.

We Must Rely on Ourselves

Second, specifically, let us again assume some of the individual responsibilities of the past and recognize that the knowledge of how to help ourselves is tremendously more important than the contacts we may use for help. Let us remember that subsidies and doles tear down the general average of the standard of living. Let us, in our political program, eliminate the words "political expediency" and strive for a statesmanship that will work not only for what is best for the country as a whole but for the world as well. Let us in our everyday life recognize that the family unit is in itself visible evidence of a high degree of civilization and let us strive to maintain it on the high level it enjoyed in the years gone by. We can no longer afford the selfishness that on occasions has characterized our actions. If we are to extend the principle of human rights, to show a measure of unselfishness is in itself a constructive factor, and a first and essential step in our program. Let us probe the mind of the average individual to learn as much about it as we now know about the machine or science. Let us, in other words, have a measure of human introspection.

The world can never be so confused but what certain simple truths and virtues, which survive all ages, display their brilliancy and light the way to a better life. It is not a bromide to suggest that we have a more decent relationship with one another. It is not a platitude to emphasize that where honesty prevails, strength of character is displayed. It is an ideal we should always have before us, striving, though we know it cannot be wholly accomplished, to improve the lot of our fellow man wherever he may be. It is only when we cease to seek to attain this end or abandon our labor for it that we admit defeat and civilization is doomed.

We must have courage of a high order, enough courage to adhere to our program despite the jeers and the jibes of those who would seek the easier but the more hazardous way. We must be willing, within reason, to distribute the loaves and fishes and under no circumstances must we be involved in a deal with thirty pieces of silver.

We might well explore to what purpose we have been placed upon this earth and in which direction our services may be properly directed. I hold that it is the objective of every man and woman to so conduct himself as to leave the world a little better place in which to live, for those who follow. By a little better place is not only meant a better standard of living in the material sense, but a happier and fuller life in the spiritual sense as well. If we keep that objective in mind and work toward it, then the next fifty years will see the fruition of a more peaceful and a happier world. It is then that man's confidence in man will not only be restored but this confidence will give heart to every living, breathing soul. These ideals are worthy of our best efforts.

Today we celebrate the golden jubilee of our Association. Let us so plan the fifty years ahead that when our centennial is reached, people may enjoy the blessings of a better world for our having met here today.

Rules for Worthwhile Life

Here are a few of the simple rules that will serve as a guide for the conduct of business in the interest of building a strong spiritual foundation.

1. In the years ahead you as a credit executive should never refuse the acceptance of a credit without kindness and consideration towards the applicant. Unless a situation is hopeless (when it is your duty to say so) you should, in rejecting a credit request, indicate how the applicant might qualify for credit acceptance.

2. Once you have accepted a credit, your responsibility is a continuing one. Whenever you detect the first signs of weakness in a credit you have accepted, you should counsel with your debtor and help him strengthen his credit.

3. You must assume an important role as economic advisor on a new credit applicant. You must acquaint him with the source to which he can turn to get the proper education about sound credit. You must tell him of the sources to which he can look for proper guidance in management. You must indicate to him the value of adhering strictly to credit terms and how it is to his own self-interest to do so.

4. As you begin to move merchandise with credit, some credit instruments abandoned during the war will again come into being. I refer to such credit papers as notes and trade acceptances. If you accept these, again you have an obligation to stress the importance of having the creditor meet the terms of the paper he has given you and it is also your obligation to arrange the paper as to its maturity on a practical basis, one which you know he can meet.

5. You should pledge yourself to give every fellow credit man, anywhere and anytime, who has the right to ask it, any credit information you have on any customer. Unless you do this you cannot expect other credit men to cooperate with you.

6. Remember at all times that your debtors are your friends. They make it possible for your business to turn its wheels. Your requests for credit information, therefore, should not be in the nature of an inquisition but rather in the nature of a friendly, helpful inquiry.

7. You should work closely in your business with the sales department. Give the sales department team work

and try not to be an individual star but by cooperation and teamplay work for the best interest of the company. This, after all, is the best means of self preservation and such team work on your part is a credit to your profession.

Help Labor Relations

8. As a credit executive you will become increasingly important in the council of management in your business. You know the importance of a proper labor-management relationship. In so far as you can, try and help direct this relationship into friendly channels. The fact that workmen or their labor leaders request additional consideration by means of wage payments does not mean that they are not loyal to your organization. Too frequently in the past, management has made the grave error of accusing everyone who has presented claims for wage readjustment of being a Communist. This has been wrong and quite properly it has been a source of resentment on the part of the loyal wage earner. It has irritated him to the point where his confidence in management has been weakened.

9. Management should not wait until it is forced to make the adjustments in wages and salaries. It should make these readjustments in anticipation of their demands when and if the labor performed on the business conducted justifies such readjustment. In illustration, the delay in readjusting white collar wages and salaries at the present time is a grievous error in management. They are a loyal group of workers and should not be forced into unionization to secure fair treatment.

10. Management should realize that local, state and national tax claims against business exact approximately 50% of earnings. Management and every living soul who is employed in the plant should respond to his duties of citizenship by doing everything possible to keep these costs reasonable. The financial department of any business will find it just as important in the years ahead to analyze the budget of the United States and the state government and as citizens to comment, advise, and recommend upon it as they do their own financial operating statements. No other factor so seriously affects their financial condition.

Increase Business Honesty

11. Let us turn to the matter of decency and honesty. Here again you can use your influence in many directions. It is questionable whether some of the modern advertising, both in print, on the radio and elsewhere, in the long run builds for confidence. These high pressure tactics in which the product is represented as being a panacea for all things can't help but put an element of doubt in the minds of the consumer. When he listens to some of these fantastic claims he begins to doubt the honesty of business.

12. The responsibility for a sound period ahead rests upon the shoulders of every group. Labor and its leaders must recognize the problems of management. Just as they expect management to be fair with them, they too must realize the hazards of conducting a business, the necessity of a return on investment to those who invested in the business. In your contact with work-

men you can do a great deal to educate them in the hazards of management. Labor leaders must be fair to their members and not incite them to an attitude of condemnation of management. And they too must learn the spirit of sacrifice in a common cause.

13. The source of supply of materials of any company must be treated fairly. There will always be the element of bargaining in business, but to destroy confidence by taking advantage of a situation and beat down prices to where there is no return on the investment for those who furnish the materials you need, is not honest. There must be more fairness and less eagerness to take advantage of a distress situation with your source of supply.

14. In the field of agriculture there must be a recognition that your best customer is the urban dweller. When the city consumer is hard pressed there should be a realization by agriculture that any subsidization of the price of their product merely adds to the consumer burden by way of taxation. On the other side

Here Is Your Opportunity For ADVANCED Study

The Executives' School of Credit and Financial Management at the University of Wisconsin this summer is conducted primarily for the benefit of experienced credit managers, treasurers, sales managers and other top management executives.

Attendance at these sessions will give you an opportunity to discuss current problems on a managerial level with seasoned executives like yourself.

And the classroom and roundtable discussions are only a part of the advantages that the school offers. Subjects of vital, immediate import will be presented by a faculty of foremost professors and business men. Two weeks spent in close daily association with these men and eighty-nine other executives will prove a profitable and interesting experience.

This is a chance you should not miss. Registration is limited to ninety, so it is suggested that you write at once for a catalogue and an application form.

Address your communication to

The Registrar
Executives' School of Credit and Financial Management
One Park Avenue
New York 16, N. Y.

of the issue, agriculture has the right to expect that it will receive a fair reward for its labors; and it is economically unsound and creates maladjustment of the first order to have agriculture in a severe depression and business that may process agricultural products in unusual prosperity. We have, in the past, witnessed a severe agricultural depression only to find upon a survey of balance sheets in the companies dealing in agricultural products that the earnings of those concerns were continued at normal.

15. You must remember that your customer needs to be treated fairly. His success is your success. Give him the best possible product at the lowest possible price.

Government Overpriced

16. Finally, the government must recognize in the language of Thomas Jefferson that the government that governs least governs best. Government was made to serve the people. It should adhere to such a program. It should do everything possible to stimulate and not restrict business. It should act as fairly with its citizenry as its citizenry is expected to act towards it. If it endorses a fair pricing policy it has the responsibility of setting an example by a reduction in its own costs. There is nothing so overpriced today as the cost of government service.

These may be ideals difficult to accomplish but the world is built upon ideals, and progress is made by constantly striving for them. Let us as members of the credit profession lead the way in trying to reach these standards. For remember you as credit executives, more than men engaged in any other profession, have before you the opportunity to make real the simple virtues of honesty and faith.

The teachings of Christ are in effect your code of ethics. I beseech you not only to take them to your heart, but to implant them in the soul of every man with whom you deal. These teachings are definitely applicable in the management of business enterprises and to the work of the credit executive. They alone of all the world's program have survived.

As Grantland Rice so aptly wrote:

"For when the one great scorer comes
To write against your name,
He marks—not that you won or lost—
But how you played the game."

The Business Outlook

(Continued from Page 10)

shaking down the spongy fiber of our economy and in expediting the reconversion from an inflated war-time economy to a peace-time stabilized economy. Once such a recession and re-adjustment has been experienced the stage will be set for a restoration of confidence in business. We may then expect a period of unexcelled prosperity that will last for at least five, six or more years. Whether the recession can be avoided will depend largely upon the direction in which prices move within the next two or three months and the stability of that movement.

America is on the threshold of a great national and international development. She holds in her hands leadership potentialities whereby she may direct the destinies of a sound world economy. We have a wonderful chance to help the devastated nations of Europe rehabilitate their social, economic and political resources. Doing so by a helpful and constructive means divorced absolutely from an imperialistic and domineering attitude will result in creating a favorable world opinion towards us as a nation and as a people. In the wake of that world opinion will follow economic prosperity. To quote from Mr. Howard Vincent O'Brien, writing in one of his recent columns.

"There is an unceasing battle these days about politics and economics. Our foreign policy is concerned with other peoples' boundaries, at home existence is sickled over with pale cast labor unrest. Wherever you look there is something missing.

"I think it is MORALS.

"We strive to get as much as possible for doing as little as possible; and we strive to gouge out of the buyer the most for the least. Simple honesty is rare enough for amazed comment. The thief has become respectable; the shadow of corruption hangs over the land. And poor witless clowns think that they can do something about it by making agreements and passing laws. But the soul of man is sick; it will take more than this to cure him."

Accountancy in Credit Work

(Continued from Page 7)

CONSOLIDATED BALANCE SHEET OF A-B. C. AND D	
ASSETS	
CURRENT ASSETS	
Cash	\$2,265.00
Accounts Receivable (Assigned)	294,874.00
Inventories	101,493.00
Sundries—misc.	2,780.00
TOTAL CURRENT ASSETS	\$401,412.00
OTHER ASSETS	
Loans and Exchange Rec.	27,600.00
Furniture and Fixtures—net	11,657.00
Deferred charges	22,685.00
Sundries—misc.	1,755.00
	63,697.00
TOTAL ASSETS	\$465,109.00
LIABILITIES, CAPITAL AND SURPLUS	
CURRENT LIABILITIES	
Due Assignee	\$99,593.00
Accounts Payable—Trade	40,720.00
Taxes Payable	17,271.00
Loans Payable	63,209.00
TOTAL CURRENT LIABILITIES	\$220,793.00
CAPITAL STOCK	16,750.00
SURPLUS	227,566.00
TOTAL LIABILITIES, CAPITAL & SURPLUS	\$465,109.00

(Page 22, Please)

Uncle Sam's Payroll

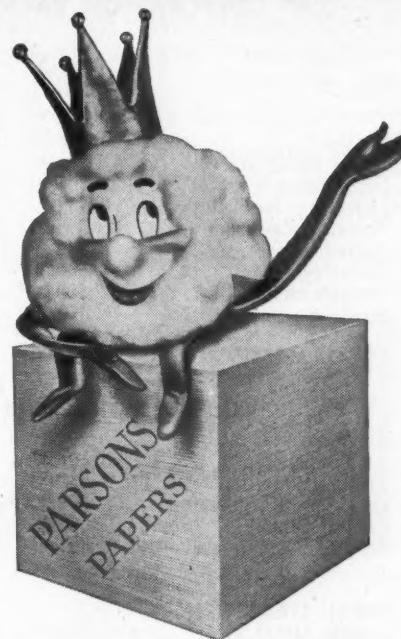
Consolidated table of Federal personnel inside and outside continental United States employed by the executive agencies during February 1947 and comparison with January 1947

Department or Agency	January 1947	February 1947	Increase	Decrease
Executive Departments (except War and Navy Departments)				
Agriculture Department	79,865	79,095	.....	770
Commerce Department	37,231	37,308	77	.....
Interior Department	49,518	49,365	.....	153
Justice Department	24,427	24,460	33	.....
Labor Department	7,512	7,375	.....	137
Post Office Department	457,924	459,148	1,224	.....
State Department	22,379	21,956	.....	423
Treasury Department	101,742	103,782	2,040	.....
Emergency War Agencies				
Office of Defense Transportation	96	96	.....	.....
Office of Scientific Research and Development	145	149	4	.....
Selective Service System	9,041	8,852	.....	189
Postwar Agencies				
Council of Economic Advisers	27	28	1	.....
National Wage Stabilization Board	456	10	.....	456
Office of Government Reports	146	149	3	.....
Office of Housing Expediter	1,974	1,929	.....	45
Office of Temporary Controls:				
Office of War Mobilization and Reconversion	158	133	.....	25
Office of Price Administration	14,006	13,510	.....	496
Civilian Production Administration	4,053	3,855	.....	198
Philippine Alien Property Administration	57	64	7	.....
Price Decontrol Board	6	6	.....	.....
U. S. Atomic Energy Commission	4,119	4,280	161	.....
War Assets Administration	53,744	51,815	.....	1,929
Independent Agencies				
American Battle Monuments Commission	78	78	.....	.....
Bureau of the Budget	610	611	1	.....
Civil Aeronautics Board	511	529	18	.....
Civil Service Commission	3,508	3,528	20	.....
Export-Import Bank of Washington	117	119	2	.....
Federal Communications Commission	1,393	1,388	.....	5
Federal Deposit Insurance Corporation	1,170	1,187	17	.....
Federal Power Commission	794	783	.....	11
Federal Security Agency	31,586	31,969	383	.....
Federal Trade Commission	592	592	.....	.....
Federal Works Agency	24,640	24,859	219	.....
General Accounting Office	11,442	11,045	.....	397
Government Printing Office	8,013	8,037	24	.....
Interstate Commerce Commission	2,281	2,287	6	.....
Maritime Commission	12,197	11,783	.....	[ 414]
National Advisory Committee for Aeronautics	5,624	5,617	.....	7
National Archives	399	396	.....	[ 3]
National Capital Housing Authority	284	283	.....	1
National Capital Park and Planning Commission	17	17	.....	.....
National Gallery of Art	313	310	.....	3
National Housing Agency	16,520	16,095	.....	425
National Labor Relations Board	890	886	.....	4
National Mediation Board	99	100	1	.....
Panama Canal	27,942	27,756	.....	186
Railroad Retirement Board	2,636	2,788	152	.....
Reconstruction Finance Corporation	8,653	8,446	.....	207
Securities and Exchange Commission	1,204	1,195	.....	9
Smithsonian Institution	510	510	.....	.....
Tariff Commission	224	224	.....	.....
Tax Court of the United States	122	121	.....	1
Tennessee Valley Authority	13,535	13,566	31	.....
Veterans' Administration	229,874	230,839	965	.....
Total, excluding War and Navy Depts.	1,276,404	1,275,299	5,389	6,494
Net decrease, excluding War and Navy Depts.	.....	.....	1,105	.....
Navy Department (inside and outside continental United States)	376,454	373,923	.....	2,531
War Department	432,010	428,750	.....	3,260
Inside continental United States	2176,591	173,774	.....	2,817
Total, including War and Navy Depts.	2,261,459	2,251,746	5,389	15,102
Net decrease, including War and Navy Depts.	.....	.....	9,713	.....

¹Agency terminated Feb. 23, 1947, Executive Order 9809.

²Estimated.

KING COTTON KNOWS HIGH QUALITY PAPERS



Now and then King Cotton visits the best fine paper mills. He likes to come to PARSONS to see how well we treat the new cotton fiber that goes into PARSONS papers. He's happy here because he always finds that our careful processing of modern record papers is worthy of the high quality cotton fiber.

Given the chance, King Cotton will watch over your records and your documents so they'll do best the job you want them to do. To be as useful as paper can be in business, ledger papers and index cards should be made with cotton fiber, as are all PARSONS papers.

The most useful records are on cotton fiber paper, with its brisk, clean, smooth finish and its superior writing and erasing qualities. All records kept on cards or sheets will be safer for longer, and have greater legibility, on cotton fiber paper.

Here are PARSONS record papers and cards
SCOTCH LINEN LEDGER, made in white, buff and blue entirely of the best cotton and linen fibers.

PARSONS LINEN LEDGER, 100% cotton fibers in white and buff.

PARSONS INDEX BRISTOL, 100% cotton fibers in white and five colors.

DEFENDUM LEDGER, 75% cotton fibers in white and three colors.

MERCANTILE RECORD, 75% cotton fibers in white, buff and blue.

MECHANIC FORM LEDGER, 50% cotton fibers in white and six colors.

MECHANIC FORM INDEX, 50% cotton fibers in white and six colors.

DURABLE LEDGER, 50% cotton fibers in white and buff.

CREST LEDGER, 25% cotton fibers in white and six colors.

If you want to avoid the problems of dog-eared, illegible records, remember King Cotton, and that it pays to pick Parsons.

It Pays to Pick
PARSONS
PAPERS
Made With New Cotton Fibers

Parsons Paper Company, Holyoke, Massachusetts

© PPC 1947

ACCOUNTANCY (from 20)

"A" CORPORATION BALANCE SHEET

	ASSETS		
	Original Bal. Sheet	Eliminations	Net Figures
Cash	\$83.00		\$83.00
A/C's Receivable	1,651.00		1,651.00
Inventories	98,506.00		98,506.00
Furniture & Fixtures	68.00		68.00
Amount due from "B"	126,954.00 ^v	\$126,954.00	
Amount due from "D"	19,161.00 ^a	19,161.00	
Investments "B"	2,500.00 ^w	2,500.00	
Investments "D"	2,500.00 ^x	2,500.00	
Sundries	330.00		330.00
TOTAL ASSETS	\$251,753.00		\$100,638.00

LIABILITIES, CAPITAL AND SURPLUS

Accounts Payable			
(Trade)	\$35,102.00		\$35,102.00
Taxes Payable	450.00		450.00
Due "C" Corporation	154,394.00 ^y	\$154,394.00	
Capital Stock	10,000.00		10,000.00
Surplus	51,807.00		51,807.00

TOTAL LIABILITIES, CAPITAL AND SURPLUS **\$251,753.00** **\$97,359.00**

"B" CORPORATION BALANCE SHEET

	ASSETS		
	Original Bal. Sheet	Eliminations	Net Figures
Cash	\$1,249.00		\$1,249.00
Accounts Receivable	57,698.00		57,698.00
Loans and Exchanges	2,500.00		2,500.00
Due from "C" Corporation	91,685.00 ^z	\$91,685.00	
Loans and Exchange	101.00		101.00
TOTAL ASSETS	\$153,233.00		\$61,548.00

LIABILITIES, CAPITAL AND SURPLUS

Taxes Payable	\$282.00		\$282.00
Due "A" Corporation	126,954.00 ^v	126,954.00	
Exchanges	219.00		219.00
Capital Stock	2,500.00 ^w	2,500.00	
Surplus	23,278.00		23,278.00

TOTAL LIABILITIES, CAPITAL AND SURPLUS **\$153,233.00** **\$23,779.00**

"C" CORPORATION BALANCE SHEET

	ASSETS		
	Original Bal. Sheet	Eliminations	Net Figures
Cash	\$572.00		\$572.00
Accounts Receivable (Assigned)	235,525.00		235,525.00
Inventories	2,987.00		2,987.00
Sundries	2,750.00		2,750.00
Land, Fixtures & Equipment	11,312.00		11,312.00
Deposits	1,443.00		1,443.00
Due from "A" Corporation	154,394.00 ^y	\$154,394.00	
Due from "D" Corporation	1,100.00 ^x	1,100.00	
Outside Security Investments	12,540.00		12,540.00
Loans and Exchanges	12,560.00		12,560.00
TOTAL ASSETS	\$435,183.00		\$279,689.00

LIABILITIES, CAPITAL AND SURPLUS

Due Assignee	\$99,593.00	\$99,593.00
Accounts Payable Trade	5,436.00	5,436.00
Taxes Payable	16,196.00	16,196.00
Loans Payable	62,850.00	62,850.00
Misc.	242.00	242.00
Capital Stock	6,750.00	6,750.00
Surplus	152,431.00	152,431.00
Due "B" Corporation	91,685.00 ^z	\$91,685.00

TOTAL LIABILITIES, CAPITAL AND SURPLUS **\$435,183.00** **\$343,498.00**

"D" CORPORATION BALANCE SHEET

	ASSETS		
	Original Bal. Sheet	Eliminations	Net Figures
Cash	\$361.00		\$361.00
Security Deposit	12.00		12.00
Furniture and Fixtures	277.00		277.00
Deferred Charges	22,685.00		22,685.00
			\$23,335.00

LIABILITIES, CAPITAL AND SURPLUS

Accounts Payable—Trade	\$182.00		\$182.00
Taxes Payable	343.00		343.00
Due "C" Corporation	1,100.00 ^x	\$1,100.00	
Due "A" Corporation	19,161.00 ^a	19,161.00	
Capital Stock	2,500.00 ^t	2,500.00	
Surplus	49.00		49.00

TOTAL LIABILITIES, CAPITAL AND SURPLUS **\$23,335.00** **\$574.00**

RECAPITULATION:

	Assets	Liabilities
"A" CORPORATION—Net	\$100,638.00	\$97,359.00
"B" CORPORATION—Net	61,548.00	23,779.00
"C" CORPORATION—Net	279,689.00	343,498.00
"D" CORPORATION—Net	23,335.00	574.00
	\$465,210.00	\$465,210.00

No mention is made in this article with respect to the legal technicalities involved regarding corporate guarantees.

EXAMPLE NO. 2—THE X. Y. Z. CORPORATION

X. Y. Z. CORPORATION—PROFIT & LOSS STATEMENT (Condensed)

Gross Sales	\$284,586.00	100%
Less: Returns	\$34,793.00	
Less: Discounts	2,326.00	37,119.00 13.04%
Net Sales	\$247,467.00	
Cost of Goods Sold	198,053.00	69.59%
	\$49,414.00	
Selling Expense	\$8,734.00	
Administr. Expense	23,288.00	32,022.00 11.25%
	\$17,392.00	
Other Charges		
Interest Paid	\$1,485.00	
Res. for Bad Debts	2,500.00	
Misc. Expense	4,818.00	8,803.00 3.09%
	\$8,589.00	
Reserve for Fed. Taxes	2,625.00	.92%
	\$5,964.00	
Plus: Other Income	874.00	97.89%
NET PROFIT	\$6,838.00	.30% 2.41%
*Credit		

This example is a very different type as there are no inter-company eliminations. Nevertheless, the figures have to be pulled apart and rebuilt from data supplied in the certified accountant's report under the caption of comments.

BALANCE SHEET X. Y. Z. CORPORATION

ASSETS	Original Balance	Eliminations	Net Working Capital Fig.
CURRENT ASSETS			
Cash	\$8,721.00		\$8,721.00
Accounts Receivable (Trade)	\$52,191.00		
Less: Reserve	2,500.00	49,691.00	
Accounts Rec. (Employees)	4,035.00		4,035.00
Affiliated Companies	9,435.00		9,435.00
Inventories	86,779.00		17,355.00
Deposits	9,399.00		9,399.00
TOTAL CURRENT ASSETS	\$168,060.00	5.	9,399.00
			* * \$94,709.00
FIXED ASSETS			
Land & Buildings Net	\$65,089.00		
Machinery & Equipment	73,649.00		
Tools and Dies	12,500.00		
Housing Property	7,563.00		
Misc.	5,750.00		
TOTAL FIXED ASSETS	\$164,551.00	6.	44,013.00
Deferred & Prepaid Charges	3,634.00	7.	3,634.00
TOTAL ASSETS	\$336,245.00		
LIABILITIES & CAPITAL			
CURRENT LIABILITIES			
Notes Due Banks	\$21,083.00	1.A	21,083.00
Accounts Payable Trade	67,801.00		67,801.00
Taxes Payable	9,050.00		9,050.00
Withholding Taxes	2,698.00		2,698.00
Mortgage Payable 1 Year			
Land & Build.	6,275.00	6.A	6,275.00
Miscellaneous	1,097.00		1,097.00
TOTAL CURRENT LIABILITIES	\$108,004.00		* * * \$80,646.00
OTHER LIABILITIES			
Loans Payable "A"	\$91,383.00	8.	91,383.00
Loans Payable "B"	42,282.00	9.	42,282.00
1st Mortgage Land & Bldgs.	24,438.00	6.B	24,438.00
2nd Mortgage Land & Bldgs.	9,250.00	6.C	9,250.00
1st Mortgage Housing	4,050.00	6.D	4,050.00
Preferred Stock	37,500.00		
Common Stock	12,500.00		
Surplus	6,838.00		
TOTAL CAPITAL AND SURPLUS	56,838.00		-56,838.00
TOTAL LIABILITIES AND CAPITAL	\$336,245.00		

RECAPITULATION

QUICK ASSETS	** \$94,709.00
CURRENT LIABILITIES	* * * 80,646.00
NET WORKING CAPITAL	\$14,063.00

X. Y. Z. CORP.—Explanation of Balance Sheet Eliminations from comments accompanying the certified figures.

- Two-thirds of the Accounts Receivable were assigned to secure the Bank Loan—See: 1.A.
- Employees Receivable accounts should be eliminated as a slow collectible debt which is not applicable for a quick turnover.
- Should be eliminated as an uncollectible item.
- A 20% safety shrinkage is applied as a going business, but in liquidation it is not unreasonable to figure 60%.
- Deposits contain a figure of \$6500.00 as a down pay-

ment on a new machine to be built to special order which will cost an additional \$50,000.00. The terms call for chattel mortgage security, payable on a monthly basis over a period of time. Your attention is called to the fact that the present capital structure will not permit this expenditure without increased invested capital.

- The equity in the Fixed Assets is reduced by the Mortgages (See 6.A., 6.B., 6.C. and 6.D.)
- Deferred and prepaid charges are considered as a book entry only.
- Loans Payable "A" is subordinated as additional collateral security for the bank loan.
- Loans Payable "B" is subordinated to the general Creditors.

With regard to Nos. 8 and 9, should these items eventually be capitalized it would not change the Working Capital structure as in both cases they are subordinated now, which would have the same effect by transfer to the Capital Stock account.

The Profit and Loss Statement furnishes some very interesting analysis by comparing the percentages as shown. Why are Returns and Allowances so high as compared with the Net Profit figure? These figures prove conclusively that expansion without considerable additional Working Capital being invested will not permit them to enjoy normal credit accommodation and they are not in a position to purchase their requirements on a "cash basis." The percentage of profit is entirely too small at the present time and cannot furnish sufficient cash surplus for credit purposes.

* * * *

With the foregoing cases as typical examples linking accountancy with credit work, it is not hard to understand the prominent part certified figures play in a Credit Man's occupation. Figures prepared by a Certified Accountant are always more acceptable for credit purposes. However, the writer should point out that in numerous cases there is a lack of commentary supporting the figures.

In Case No. 1, it was necessary for the writer to get permission from the customer to discuss certain phases of the several balance sheets with the Certified Accountant who made the report in order to pull them apart, but in Case No. 2, the entire revision of the financial

(Continued on Page 31)

DEBTORS NEED COACHING

The Creditor Is The Businessman's Best Friend

by J. E. BULLARD
Distribution Engineer, New York

SBetween now and the next serious depression it can be expected that more and more new enterprises will be started. The owners of some of these will not work hard enough to succeed. Others will lack the experience or business ability (or both) necessary to success. A few will have the experience and the ability and will work hard enough to make net profits from the very start.

All of these owners are likely to do better if they are coached and given enough sound advice. Some of those in the first two classes may be developed in this way into reasonably good business men and women. The greatest weakness of the third class, those who make profits from the very start, almost invariably is that they fail to realize their net profit curve cannot be made a straight line which slopes steadily up from the break even line. Unaware of what is ahead they are unprepared when their upward-sloping net profit curves take precipitous drops and they are unable to turn them up again before they go below the break even lines and there are losses instead of profits. There is good reason to believe, however, a lot of these firms could be saved from bankruptcy, when the next depression comes, if they are coached sufficiently, if they are shown how important it is to build up a reserve now and make certain it is large enough to carry the business until it can be placed on a profit-making basis again.

For Example

A man who bought a grocery store in the early 1920s might have continued in business had the credit manager of the wholesaler, from whom he was buying the largest volume of what he sold, made it a point to call on him occasionally, impress upon him the need of a sufficiently large reserve fund and help him solve the problem of keeping that fund in a liquid condition. The store was located in a neighborhood which was growing rapidly in population. More and more homes were being built and the new families moving in averaged larger incomes than did those who had lived there for years. The store extended credit and made deliveries. It catered to the new residents and the volume of business grew rapidly. Then came the stock market collapse in 1929 and the long and severe depression which followed. Collections fell off. Former customers began spending their money at cash and carry stores. More and more people had their incomes reduced drastically or, through loss of jobs, cut off entirely. With little or no reserve to fall back upon there was no choice for this grocer but to go through bankruptcy.

Sometimes, of course, a business man is able to meet situations as serious as this one and remain in business. A man who had saved \$800.00 used it as capital to start a little shoe store in the 1880s. He did well from the very start and used his profits to expand. When the depression of the 1890s struck him, however, it was touch and go whether or not he would be able to keep the store open. He just managed to do so and when again he was making profits he was determined he never would be caught in such a precarious situation again. He set aside in a reserve fund enough money to take care of any temporary losses which would have to be taken when the next depression came.

Disasters Come Swiftly

Unfortunately, however, there is not much advance warning of just when it will be necessary to draw on such a fund. The warning came to this man one day when he read in the newspaper in the fall of 1907 that the bank in which all his money, including the reserve fund, was deposited, had closed its doors. Though he had his reserve fund this time and it was plenty large enough to keep the business going, it now was frozen and he could see no way of thawing it out and staying in business. While he was pondering what to do, a man he did not know very well called on him and asked if it were true his money was tied up in the bank which had failed. He told him it was.

"I've got some money I don't need to use for awhile," this man told him. "I believe it will be safer with you than any other place I can put it and I will be glad to lend you as much as you need at the same rate of interest savings banks pay on deposits." He also assured this business man that it was reasonably certain the closed bank soon would be able to pay depositors the full amount of their deposits.

Creditor Could Have Helped

Eventually the business grew into a fair-sized department store and after 1907 experienced no serious financial setbacks. The owner insisted, however, that had the credit managers of the companies extending him credit taken an interest in helping him build up a reserve fund and keeping it liquid, he would have avoided all that worry and uncertainty during the first two depressions of his business life. It required those two depressions, he pointed out, for him to learn from experience what he needed to do to be certain to remain in business.

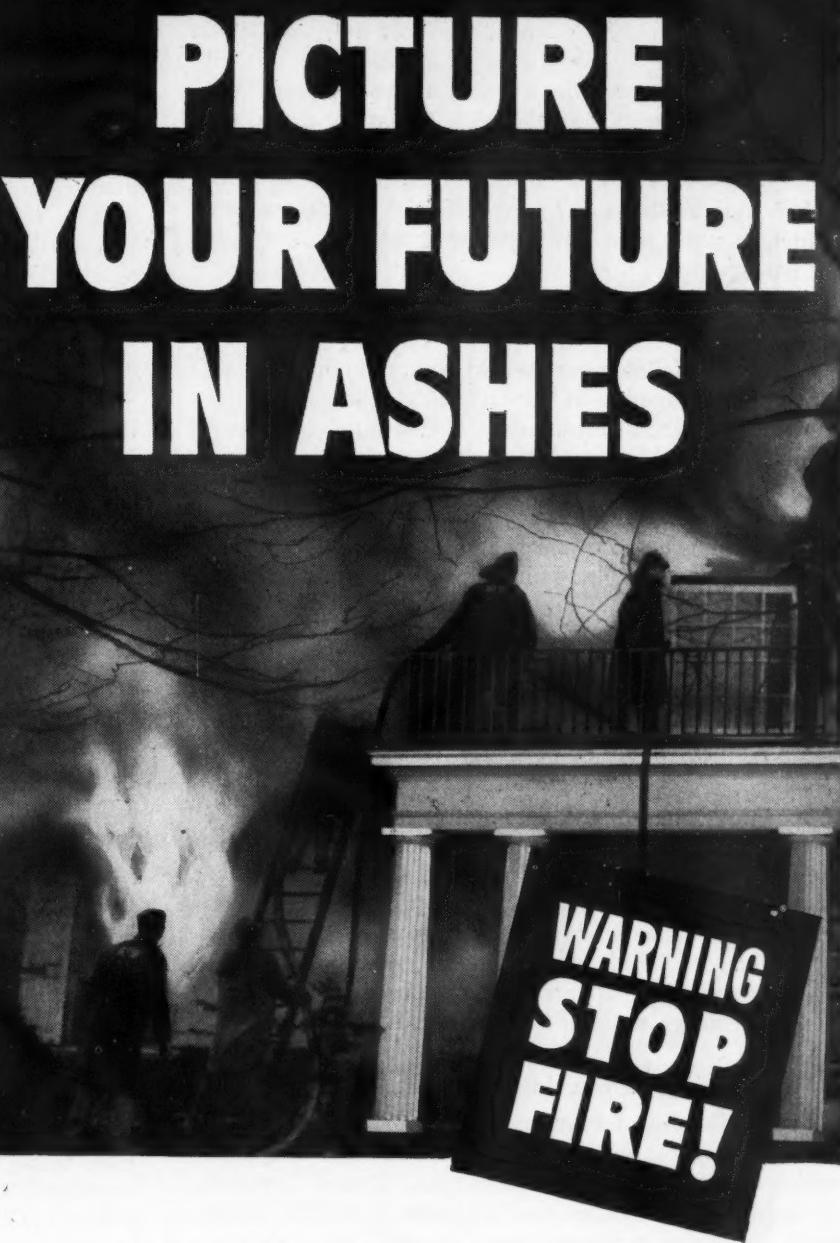
The concern which is extending credit, of course, is

likely to be harder hit by a depression than one which is doing a strictly cash business. Three men who started in business in the 1880s, however, and who not only did a strictly cash business but kept their turnover high learned that overhead goes right on when a slump comes, that prices are likely to drop so quickly and so drastically that stock on hand may have to be sold at less than cost and sales volume falls off. When this happened to them they were able to stay in business because they succeeded in convincing their creditors that if enough credit was extended they would be able to get back on a profit-making basis again. Within a few years, as a matter of fact, they had paid off the last note they had given and the volume of sales was increasing at a rapid rate.

From that time on this retail meat and grocery company provided for just such situations as were faced soon after these three men started it. Doing so was well justified when in the early 1920s the company found it had in stock a large quantity of sugar, that the price had dropped drastically and the entire stock would have to be sold at some 40% less per pound than had been paid for it. At that time a wholesale grocer in another state and city found himself loaded up with so much sugar the only way he could continue in business was through refinancing.

Starting Business in a Depression

The person who starts in business during a depression, and does so because that appears to him to be the only way to have an income, seems to have a better chance to succeed from the start and continue to make money than does anyone who starts when business is good. Back during the depression of 1873, a young man was working in a small town general store. The owner was getting on in years. He lacked the energy he had enjoyed some twenty years earlier. He did not feel up to the job of staying in business till conditions improved. As a matter of fact he was taking a greater risk staying in business than in liquidating it. Already he was well



THIS could be *your* home! Too often this scene is repeated today.

Today—make a definite fire prevention plan a part of your plan of living.

Safeguard your home against these 4 major causes of fire:

- ¶ 1. Careless use of matches and careless smoking habits.
- ¶ 2. Faulty heating and cooking equipment—stoves, furnaces, chimneys, flues and pipes.
- ¶ 3. Misuse of gasoline and all inflammable fluids.
- ¶ 4. Defective wiring and electrical appliances.

And remember: property values today are higher than ever. Don't let fire catch you *under-insured*. Consult your local insurance Agent or Broker. A phone call now may save you thousands of dollars.



CAPITAL STOCK FIRE INSURANCE COMPANIES
Members of NATIONAL BOARD OF FIRE UNDERWRITERS

enough off so he did not need to add to his wealth and it was important that he conserve what he had.

Before closing out the business, however, he offered to sell it to this young man who was working for him. He estimated what he would get if he simply closed the store out, selling the stock and fixtures for what he could get for them and used this total as the selling price to his clerk. Also, he was willing to take what the young man had saved as a down payment and his notes for the balance.

Involuntary Boss

The young fellow never would have thought of going into business for himself had he been able to get another job; but jobs then were scarce. There were not enough to go around. He found himself in a situation where he had to decide to buy the business or to have no job and no income. He bought it. Hard work and taking out of the business no more than was absolutely necessary to live on, enabled him to keep going and led him to form habits which had much to do with his future success. As conditions improved and sales volume increased he set aside the profits for expansion. He took a younger brother into partnership but he delayed putting his expansion program into action. He could not get as much value for his dollars as he considered necessary.

Not until another business slump came along did he open his first branch store. He made his brother manager of this new store and from that time on the policy of the company was to train the most promising employees for partner-managements when business conditions were good, to build up as large an expansion fund as possible and when slumps came to open new stores and perhaps enlarge some of the older ones.

Driven Into Business

It is this kind of thinking and acting which appears to be responsible for the success of so many businesses which are started during depressions. Russell Conwell, in some of his lectures, used to state that 95% of the most successful businesses were started during depressions by men who were out of jobs, could not get good jobs and had to start their own enterprises in order to have any income at all. He was of the opinion few of these men ever would have given up salaries and taken the risks they did to go into business, themselves, had they not been forced to do so. In other words they were men who did not like to take chances. They preferred to play safe but circumstances did not permit them to do so.

At any rate, this young man who had to buy that store in a small town to have a job always was cautious and always wanted to get full value for his money. When business was good, jobs plentiful and prices going up, he saved his money. He economized while others were spending and spent when labor was plentiful, prices were down, bankrupt stocks could be bought for less than their wholesale value, land and buildings were for sale at sacrifice prices and advantageous leases could be obtained on store property in good locations. He saved when the dollar would accomplish least and put his dollars to work when they accomplished most. He not only built up reserve funds but expansion funds. His main

problem was to make certain the money he had saved would be available when he needed it.

Business Gets Too Big

Not all men who start enterprises of their own when business is bad continue in business. Around 1920 a man who found himself out of a job and no work available started baking bread in the oven of his kitchen range. When he had a batch baked he went from house to house selling it. Soon he was able to sell more than could be cooked in his range. He installed a bake oven. Even this did not give him the capacity he needed and almost before he knew it, he had a small bakery in a building by itself. Other men were out of work and he persuaded some of these to supply their own delivery vehicles and sell his bread on a commission basis. As business conditions became better, however, his organization tended to break down. In addition, he had built up the business on the basis of delivering the bread while it was still warm from the oven. He felt that the size of his enterprise was rather severely limited if he was to go on as he had from the start. Therefore, when he was offered what he considered a good price he sold. At that, the depression proved profitable to him and had it lasted longer and been more severe he would have had more time to perfect an organization and might never have sold.

Men and women who start enterprises when business is booming are not of the same type as those who are forced to start their own businesses when there is a depression and they cannot find any other way to earn an income. They are less conservative and inclined to take greater risks. It costs them more to get started when all prices are high and they are not so likely to realize conditions will not always remain favorable. As a result they are not prepared for the first slump that comes. Unless they have been given sound advice and have followed it, the chances are they will not weather that depression. Their assets will go, at a fraction of their value, to those who are prepared to expand when business conditions are at their worst.

The Big Boys Make Mistakes Too

It is not only the little fellow who makes mistakes. During the late 1920s financiers were over financing combinations of small enterprises and even large ones when they were able to gain control. Relatively few of these were able to continue as going concerns when the 1930 depression began to take full effect.

A man who owned a couple of department stores was approached in the late 1920s by the representative of a syndicate. He told this agent the stores were not for sale. More and more pressure, however, was brought to bear to get him to sell. Finally he was asked to set a price he would be willing to take. As he had no intention of selling he set a price so high he knew no sane person would consider it. At least that was what he thought. Nevertheless the price was accepted. The financiers wanted him to take stock in the new corporation as part payment of the purchasing price but he insisted on cash and first mortgage bonds.

As long as business conditions remained good the stores at least broke even but no reserve had been provided to carry them through a period of poor busi-

ness so, in the early 1930s, there was no cash available with which to pay the bond interest. All the former owner had to do, therefore, was to foreclose and take his stores back. Those who thought they knew all about the transaction insisted it had proved quite profitable for him but disastrous for those who had put their money into the venture. At any rate it was reported that, during the worst of the depression, he spent \$300,000 modernizing a hotel he owned. He had been trained from early youth to save money when it came easy and to spend it when he could obtain the most value for a dollar. Obviously, those who bought his store either had lacked that training or it had not affected their actions.

Small Things Affect Fortunes

Some relatively small matter, however, may change the course of events. In 1918 a man bought a trade paper. It was an old established publication owned by a man who was getting on in years and had had a long publishing career. He received a good price for the property but not too much. The new owner formed a corporation and the man who sold took cash and first mortgage bonds in payment. There were those who believed the former owner expected to take the business back when the first post-war depression got under way. The year 1920 came and with it an increase in the number of failures but interest on these bonds was paid regularly. Not only that, but the company started new publications and bought old ones which were for sale at bargain prices.

In this case it seems the former owner of the paper had antagonized the richest man in the industry. The new owner had won his friendship. At a time when it was not easy to raise new capital enough was made available to expand to a marked degree and a close friend of the rich man became editorial director of the entire group of publications. In other words, though this new owner of the trade paper did not have time enough to build up a sufficient reserve to carry him through even a mild depression he had been successful

Your Accounts Receivable are
Important assets...at all times
Subject to risk...at all times
Should be protected...at all times

American Credit Insurance
GUARANTEES
payment of your
ACCOUNTS RECEIVABLE

CREDIT
LOSS
CONTROL

*Send today for FREE book
on "Credit Loss Control"*

LOOK AT YOUR STATEMENT. What will happen to your receivables...if business failures and credit losses continue to climb? Since V-J Day credit losses have climbed rapidly...following the same basic pattern that appeared after World War I. And in that period of readjustment, current liabilities of failures jumped to 553% of the 1919 total in just two years! No one knows how far the present trend will go...but you can be certain that you will not suffer from credit worries or loss, if you have American Credit Insurance.

Manufacturers and wholesalers in over 150 lines of business carry American Credit Insurance...which GUARANTEES PAYMENT of your accounts receivable for goods shipped...pays you when your customers can't.

"Credit Loss Control"...a timely book for executives...may mean the difference between profit and loss for your business...in the months and years of uncertainty and change that lie ahead. This book charts the rise in business failures after World War I...presents actual credit history and credit loss cases...and shows how you can safeguard your accounts receivable and your profits. For a free copy, address American Credit Indemnity Company of New York, Dept. 47, Baltimore 2, Maryland.

J. F. McFadden
PRESIDENT

American
Credit Insurance
pays you when
your customers can't



OFFICES IN PRINCIPAL CITIES OF UNITED STATES AND CANADA

in winning the friendship of a man who had it in his power to command sufficient new capital to give the enterprise an entirely new start. The friendship he had won proved to be the equivalent of a cash reserve far larger than he could have built up in any other way, in so short a time. It not always, therefore, is the money in the bank which counts as much as the impression made upon those who are in a position to supply the needed cash or credit.

It was the confidence in him which he was able to inspire in others including the multi-millionaire which enabled this man to expand when others were curtailing or going into bankruptcy. The publications he bought he got at sacrifice prices because it was a buyer's rather than a seller's market. His real start, therefore, was made during a depression, not a very serious one, yet serious enough to provide some attractive bargains. The man who had his reserve fund frozen because of a bank failure, incidentally by the only bank failure which could affect him because the other banks remained open, probably would have gone out of business by 1908 had he not inspired enough confidence in himself to lead the man who lent him the money he needed to come forward and volunteer to lend it. Had the three men who started the food store and found themselves in difficulty not succeeded in building up confidence, their creditors never would have helped them out to the degree they did.

The Creditor's Role

Many of those who start new enterprises now will not have time enough before the next depression to build up an adequate cash reserve fund. If they do succeed in building up one it could happen that all of it will not be liquid when it is needed. If their creditors take the trouble to coach them enough, however, if they follow the advice which is given them, they can build up a reserve of confidence which may prove of even greater value than actual cash. Of course cash reserves are not so readily built up as they were thirty to fifty years ago. Taxes are higher and in some instances appear to be punitive in nature. Competition, at least for the consumer dollar, tends to be keener. Returns on money invested in anything which is safe and can be turned into cash at short notice, with no loss of capital, are likely to be lower than at any time during the past seventy-five years. Due partly to the increased use of machines, improved equipment and the decreased value of a dollar, more capital is needed to start virtually any business than was required to start one of the same kind and the same size say fifty years ago. Because of the rapid progress now being made, what is bought now may prove to be obsolete within a few years and worth only a fraction of its first cost. All this tends to complicate and make somewhat more difficult the building up sufficient reserve to insure the continuance of any firm and to protect the creditors.

Old Firms Need Help

Not only do the newly started enterprises call for attention and coaching but also many old ones which are taken over by new owners. Though the business may be well established it can be an entirely new enterprise for the new owners. Two brothers, for example, shortly after the end of the war paid cash for the buildings and

the store of a man who was approaching his eightieth birthday. He had been in business for well over fifty years, was not in the best of health and considered it time to retire. The main building is three stories, the ground floor and basement being used for the store and the two upper floors for living quarters. It has meat and grocery, hardware, household appliances, dry goods and notion departments.

It was the understanding when the transaction was made, that a woman who had worked in the store for a long time and during the past few years had been virtually manager of it would stay on and coach the new owners. The meat department was operated independently by a man who rented the fixtures, refrigerating facilities, etc. The manager of the grocery department had worked in the store practically all his life and was in his sixties. He planned to work for the new owners.

Not long after the brothers took over, however, the woman on whom they were depending for much needed coaching became ill, was confined for a considerable period in the hospital and when she recovered sufficiently to be discharged was advised by her physician she should spend her winters in a warmer climate. She never has become strong enough to go back into the store.

Later, without notice, the butcher packed up his belongings, including his stock of meat, and moved out. Not long after that the man who had managed the grocery department for so long, suffered from an attack of pneumonia and before he was discharged from the hospital developed a heart condition which precluded going back to work before taking a long rest.

Blow Upon Blow

One of the brothers tried managing the meat department but he lacked experience. A good butcher was employed but he remained on the job only a few months. Once again the brother took charge of the department but he is a novice at meat cutting. He is not at all certain what he should charge for different cuts. Up the street about a couple of blocks there is another independent store. The grocery department is operated by a man who was manager of a chain store for years. His partner who has charge of the meat department has been a butcher for thirty years. It is no wonder, therefore, these brothers who bought the oldest store in the town are finding it more and more difficult to hold meat and grocery customers. What they most urgently need is an experienced butcher with a good personality.

At the start these men may have had enough of a reserve to see them through their first depression provided all had gone as planned. It has been a severe blow to them, however, to be denied the guidance they had expected. Instead of seeking thoroughly experienced employees, however, who might help to fill the gap now existing, they have made the business a completely family affair. The two brothers and their wives work in the store and as more assistance has been needed relatives have been hired. The result is that now there is not one individual connected with the business who has had the experience so needed to conserve any present reserve and to increase it before another business slump comes.

The outlook is that the only salvation for this firm is coaching by the creditors. Certainly, no one else could

bring to bear as much pressure to get them on the right track to succeed. Theirs is the oldest and the largest retail store in the town. In the past it has been a profitable business. Before the new owners learn from experience how to make it continue to show a profit, they may exhaust all their resources. The competition they have to meet is becoming keener and keener and they lack the knowledge and the experience required to meet it.

It Is Up to the Creditors

This business promises to go the same way a retail meat business did in the mid 1890s unless the creditors do something about it soon. In the late 1880s a young man brought up on a farm, with his brother-in-law as a partner, bought a meat market. His partner had worked in a meat and grocery store but neither of them had too much business experience. Both were hard workers, however, and all went reasonably well till the mid-nineties depression came along. Then the partnership was dissolved. The farm boy managed to keep the business going but when he found a buyer in the early 1900s he was not able to pass a clear title until, through the aid of his lawyer, he was able to settle with his creditors at a fraction of what he owed them. Had the lawyer not been able to convince the creditors they would get more this way than forcing the man into bankruptcy and that allowing him to make a new start probably would mean he would pay in full as soon as he was able, this business probably would not have remained a going or even a limping concern.

Looking back, it can be seen that the business career of this man would have been quite different had the credit managers of the wholesalers from whom he bought had some heart-to-heart talks with him and guided him in the proper direction. The coming depression was not foreseen and no preparation was made for it. To reduce the cost of distribution to the minimum it would seem that it is going to be necessary for creditors to coach debtors to a greater degree than ever has been the case in the past.



*AN indispensable part
of our free enterprise system, insurance
has helped build industrial America
by protecting both business concerns and
individuals from financial loss.*

U. S. F. & G.

UNITED STATES FIDELITY & GUARANTY CO.

FIDELITY & GUARANTY INSURANCE CORPORATION
HOME OFFICE: BALTIMORE 3, MD.

*Consult your insurance agent or broker
as you would your doctor or lawyer.*

THE CREDIT EXECUTIVE'S LIBRARY

A Monthly Review of Timely Books

by DR. CARL D. SMITH
Director of Education, NACM

Labor And The Law by Charles O. Gregory, Professor of Law, University of Chicago. Published by W. W. Norton and Company, New York, 1946, \$5.00.

In these days when labor and the law have so much in common and yet are so much at variance, it behooves the executive to see clearly and to understand intelligently the basic fundamentals that underlie these relationships. The author has made a significant contribution in terms of a most readable and unbiased publication on organized labor. It is both timely and valuable. It is not a dry, legalistic treatise. It breathes life and portrays with meaning the background and the setting of the conflicts which we read under glaring and exciting headlines in our daily papers and magazines.

"Labor laws of the last decade have become unsuited for the next" says the author. He proposes that the new Congress seriously and constructively set for itself the task of correcting the "ambiguities that are now disclosed in our labor statutes and to face frankly the present-day union abuses by the enactment of a new law "in the nature of policing regulations designed to prevent particularly harmful interferences with the conduct of national commerce."

In order to comprehend current labor and management controversies one must see clearly what have been the actions of our courts in directing the currents of public and political thought. These judicial bodies do not merit a clean bill of action in the interest of the public good and of permanent social and economic harmony. Perhaps much of our present-day labor strife may be due to the biased decisions of our higher tribunals to which we have always looked as being the guardians of the general public welfare.

The final chapter is worthy of the most careful reading by executives. Their investment in time will be worth while. The author maintains "that in the approach to the question of regulating labor's monopolistic power, the public good is paramount." He lists the following specific labor union practices which he contends Congress should either prohibit or greatly restrict:

1. Demands upon management to hire unnecessary labor.
2. Use of extortion to obtain payment of graft.
3. Attempts to disrupt established collective bargaining procedures.
4. Regulatory and economic pressure to forestall the introduction of improved and modernized equipment and more efficient techniques for production.
5. Coercion by the use of questionable practices which force into being illegally established commodity prices for the protection of organized union labor.
6. Exclusion of individuals from a field of gainful employment in which they are entitled and competent to participate.
7. Monopolistic attempts to maintain commodity or

service prices at a high level without regard to the market level.

8. Refusal, after losing an election, to abide by the results, and the use of pressure means against the employer and other workers.

The author closes with these words of sound advice to every business executive. "The policies reflected in our labor laws of the years to come can be made workable and just. Whether or not they will be depends largely on the patience, the wisdom, and the understanding that each of us contribute as a citizen in a real industrial democracy."

Office Management Bulletins. Published by American Management Association, 330 West 42nd Street, New York, N. Y., 1946.

Credit managers and others responsible for the organization and administration of an office will find many useful ideas in the following series of four bulletins.

Streamlining Office Methods and Layouts. Series No. 114. Price, \$1.00.

Contains four timely discussions, on the application of common sense in the office, planning for efficient use of office space, how work simplification may be applied to overcome personnel and space limitations, and a working plan for reducing paperwork and printed forms.

Incentives and Work Standards in the Office. Series No. 115. Price, 75¢.

Stresses the need for a study of wages of office workers in relationship to the labor market and to the problems of rebuilding the labor force over a period of the next few years. This bulletin also analyzes the relation between work measurement and the pay earned, and concludes that office work can, in general, be measured effectively for wage incentive purposes. Job evaluation and salary standardization are discussed in terms of 15 basic requirements.

Administering the Office Union Contract. Series No. 116. Price, 75¢.

Presents the employee-management relationships in the unionized office and discusses many of the current problems that arise in these relationships. Office executives who may not have been under pressure for the unionization of their offices will do well to read this bulletin and to think critically about the problems that may sooner or later confront them should unionization become a possibility or a reality.

Training and Coordination in the Office. Series No. 117. Price, 75¢.

Stimulates thought as to the executive position of the office manager and of his relationship to other department heads. The credit manager will find the discussion applicable to his own status. Half of the bulletin is devoted to the use of visual aids in training of the office staff and to the advantages of combining school with in-service training.

Consumer Credit in 1947

(Continued from Page 15)

Banks can be particularly helpful to manufacturers, not only in the financing of their products for them, but also in providing information concerning local economic conditions which aid in formulating sales and marketing policies. The purchasers prefer doing business with the banks because of the flexible credit policy and broad financial guidance offered.

Sales Effort Again Necessary

We are fast drawing to the end of what has been styled a sellers' market, when the only sales effort required to move a particular product was to have it available at the point of sale. Already many products that were once hard to get are readily available. White shirts, nylons, small radios, refrigerators and appliances can be obtained without pull or favor. General Motors has just announced that its Frigidaire division is launching its most vigorous selling campaign in history, because its rapidly expanding production rate will soon completely erase its already shrunken list of waiting customers.

The productive capacity of a country as great as ours which produced the munitions necessary for ourselves and our allies to win two wars will make short work of providing the needs of peacetime. Our problem soon will be that of keeping our mines and factories busy so that we may continue to provide the fullest possible employment over the years to come. The responsibility for finding markets for the prodigious output of our factories is the responsibility of the sales executives of the country. It is you who have to find the ways and means of selling a larger quantity of goods than we have

ever produced or sold before.

One of the tools that you will use in building and sustaining this unprecedented volume of sales will be that of instalment credit. Like all tools it must be used in the proper way to get the desired results. It ought not be used as one wag once put it "to enable a person to buy something he doesn't need to keep up with the neighbors he doesn't like." Without instalment credit the full potential market can never be reached and the required volume of sales never attained.

ACCOUNTANCY

(Continued from Page 23)

picture was made from the "comments" accompanying the Balance Sheet.

NOTE: All the figures presented are fictitious and have been put together by the writer to show the relative values for credit purposes.

With credit problems gradually returning to prewar levels, the Credit Man is faced with an added responsibility of judging the amount of taxes which may not appear in Balance Sheet figures as "Reserves." Balance Sheets are usually submitted for credit extension purposes and it would seem that some commentary should be made by the Accountant as to whether the books have been audited by the various tax authorities, and if so, what period the audit covered. Taxes by virtue of their preferential status will play a prominent part in credit extension from now on, and the Credit Man who ignores them may find himself in difficulties as the result of working capital depletion to satisfy additional tax payments not shown on the Balance Sheet as the result of a delayed audit. It therefore seems only fair that Balance Sheets should contain information regarding tax audits.

Aetna Publishes New Booklet On Use and Occupancy

 A new booklet entitled "Use and Occupancy or Business Interruption Insurance" has just been issued by the Aetna Insurance Group.

The booklet is not intended to be a comprehensive treatise on the subject of Use and Occupancy Insurance, according to the introduction. Its sole purpose is to consider questions that are frequently asked by the assured when this coverage is being sold or discussed with him. The contents consist of a series of questions and answers.

The booklet is intended for the use of field representatives and agents of the Aetna Companies.

Warning! - - -



Check the amount of your insurance against the present cost of reproducing your property. Construction costs are increasing and there is danger that you are underinsured. It costs less to transfer your risk to an insurance company than it does to assume the burden of a loss.

THE PHOENIX INSURANCE COMPANY

Hartford 15, Conn.

The Connecticut Fire Ins. Co.
Hartford, 15, Conn.

Atlantic Fire Insurance Company
Raleigh, North Carolina

Great Eastern Fire Insurance Co.
White Plains, N. Y.

Equitable Fire & Marine Ins. Co.
Providence 3, R. I.

The Central States Fire Ins. Co.
Wichita 2, Kansas

Minneapolis F. & M. Ins. Co.
Minneapolis 2, Minn.

Reliance Insurance Company of Canada
Montreal 1, Canada

LETTERS TO THE EDITOR

The discount controversy goes on with neither side giving an inch. Here is a letter just received from a reader in Hutchinson, Kansas:

March 27, 1947

EDITOR CREDIT &
FINANCIAL MANAGEMENT
One Park Avenue
New York, New York
Dear Sir:

I have followed with interest articles and letters in recent issues of your good magazine on the pro and cons of cash discount. Of special interest was Albert F. Chapin's article "More—but not all—on Discount."

Speaking generally, those interested enough to make comment have been among the larger financial institutions concerned with the value of cash discount as a profit or loss item.

Representing a small local jobber in the hinterlands I am wondering if, like our firm, kindred distributors do not look on cash discount more as a goodwill and collection item.

Our firm has been in existence some sixty years covering part of four States and to be honest a large part of our volume has been among the smaller merchants passed up as unprofitable by the National Distributors. Collections, of course, have been a major problem.

As a Hardware and Automotive jobber, originally our terms followed closely those prevalent among the trade. To compete with Automobile Wagon Jobbers our terms were broadened a number of years ago to include terms of 2-14 days, net. In other words, our salesmen were given permission to sell among the smaller garages and stores collecting each trip for merchandise sold on the previous call. The 2-14 net bettered the cash terms of the Wagon Jobbers and it was surprising at the resulting volume we obtained with a minimum of credit loss.

We later struggled through the depression years collecting a few dollars at a time as endorsements on our past due accounts, trying to keep them alive until conditions im-

(Continued on Page 40)

Send for this book today



"*A Better Way to Finance Your Business*" explains a financing plan every executive should know about . . . gives dollars and cents comparison of the low cost of money under our Commercial Financing Plan vs. time loans . . . shows how our plan frees you from worries about renewals, calls and periodic clean-ups of loans.

How Your Business Can Get Thousands or Millions Quickly

FOR WORKING CAPITAL OR ANY SOUND BUSINESS MOVE... Whether your business needs thousands or millions, you will find that our Commercial Financing Plan gives you more money, is more flexible, more liberal, more conducive to progress and profit. That's why manufacturers and wholesalers have used it to a total of more than One Billion Dollars in the past five years . . . and why more than twice as many business firms adopted it in 1946 as did in 1945. Send today for our book, "*A Better Way to Finance Your Business*." Learn how little money costs, how much more you can get and how long you can use it. No obligation. Write or phone the nearest office below.

COMMERCIAL FINANCING DIVISION OFFICES:

Baltimore, New York, Chicago, Los Angeles, San Francisco, Portland, Ore.



FINANCING OFFICES IN PRINCIPAL CITIES OF THE UNITED STATES AND CANADA

NACM NEWS

About Credit Leaders

Association Activities

Credit Congress Draws Nearly 3,000

First Class Speakers, Fabulous Entertainment, Highlight 50th Anniversary NACM Convention

New York: Veteran newspapermen assigned to cover the opening session of the Golden Anniversary Credit Congress on Monday, May 12, in New York, were heard to say that they had never in a long experience seen such a huge gathering in the Grand Ballroom of the Hotel Pennsylvania. It was a believable statement. Every available seat in the huge auditorium was filled, upstairs and down, and the mass of standees at the back almost created a fire-hazard. Total attendance was over 3,300.

The previous afternoon and evening had been devoted purely to social and entertainment pursuits. A committee of seventy ladies, headed by Mrs. William Fraser and Mrs. William H. Pouch, had been making preparations for the Sunday afternoon tea for a long time; and it was evident that in their plans they had omitted no detail. It was a pleasant, well-run affair, which went a long way toward melting the inevitable preliminary ice. In the evening they invited all the visitors to a reception and musicale, the latter turning out to be a show by one of the finest musical entertainment groups in New York, musicians who were also top-flight entertainers, who kept their audience rocking with laughter.

Monday Morning

However, getting back to the serious business, the Monday morning session opened with a packed house. After the invocation, Mayor William O'Dwyer welcomed the delegates to New York City. He is an impressive man and an impressive speaker. He mentioned the gigantic New York budget, calling it a necessary thing but one of which New York was far from proud. He also advised his hearers to stop worrying about whether the United Nations would work or not. "We've had a local United Nations right here in New York for years, and it works out fine!"

The Mayor was followed by Earl N. Felio, President of the New York Credit Men's Association who welcomed the delegates on behalf of his group, and

P. M. Haight, Past President of the National Association, who welcomed them on behalf of the National. To all these addresses of welcome Robert L. Simpson, President of the National Association of Credit Men from 1944 to 1946, replied with his usual aplomb.

The session was brought to a climax by Henry H. Heimann, Executive Manager, who traced the history of credit and credit men over the past fifty years and then summarized his hopes and beliefs for the fifty years which are to come.

Mr. Heimann stressed the need for what could only be called a spiritual revival in public and business affairs. As our technology has developed, so, he said, our sense of values has deteriorated. He pointed out that business is no more capable of being conducted on a wholly material basis than any other aspect of human existence. Mr. Heimann's complete talk can be found on page four.

Monday Afternoon

Monday afternoon opened with a short report by Paul W. Miller, past president of the National Association of Credit Men, on the progress of plans for the Credit Research Foundation. Mr. Miller is Chairman of the special committee on the foundation. A condensation of his report will be published in next month's issue.

(See Page 34)

CONVENTION PICTURES NEXT MONTH

There was no time between the end of the Convention and the last possible press-time to have any cuts made, not even one of the President. Watch for them in June.

C. B. Rairdon Is Elected to 1947 NACM Presidency

New York: C. B. Rairdon, of Toledo, was elected President of the National Association of Credit Men at the Convention in New York on May 15. Mr. Rairdon's candidacy was proposed from the floor after the Nominations Committee had submitted the name of Harry J. Delaney, of New York. Mr. Rairdon is a former National Director and a former Vice-President.

The contest on the floor was the result of a difference of opinion on policy.

As Vice-President of the Eastern Division, Charles E. Fernald, President of Fernald & Co., Philadelphia, was elected unanimously.

The contest for Vice-President from the Central Division resolved itself into a choice between C. C. Calloway, Jr., Treasurer, Crystal Springs Bleachery, Inc., Chickamauga, Georgia, and C. C. Heitman, Division Credit Manager, Armour & Co., Fort Worth. The vote was close and resulted in the election of Mr. Calloway.

Fred J. Carpenter, Credit Manager, National Supply Co., Torrance, California, was elected to the Western Vice-Presidency by acclamation.

The entire slate proposed by the Nominations Committee for Directorships was accepted unanimously. They are:

Second District

Earl N. Felio, Assistant Treasurer and General Credit Manager, Colgate-Palmolive-Peet Co., New Jersey.

Graham H. Rothweiler, Credit Manager, Interchemical Corporation—Finishers Division, Newark, New Jersey.

Third District

M. J. Chesmar, Secretary and Treasurer, Hubbard & Co., Pittsburgh, Pa.

Fourth District

E. B. Gausby, Assistant Treasurer, The Warner & Swasey Co., Cleveland, Ohio.

Fifth District

A. F. Zoellner, Secretary, John K. Burcit Co., Grand Rapids, Michigan.

F. G. Herbst, Treasurer,
Herbst Shoe Manufacturing Co., Milwaukee, Wisconsin.

Sixth District

Victor C. Eggerding, Credit Manager,
Gaylord Container Corp., St. Louis, Mo.

Seventh District

Arthur E. Slack,
I. Phillips & Co., Tampa, Florida.

Convention

(Continued)

The speakers were led by Bruce Thomas, free lance foreign correspondent, who witnessed the Bikini atom bomb explosion. Following him the Honorable John C. Knox, Senior Judge of the U. S. District Court, Southern District of New York, spoke on Bankruptcy and the Courts. Judge Knox predicted a large increase in bankruptcies, the prelude to which, he said, he already saw in his court. He deplored the manner in which astute business men seemed willing to entrust the handling of their debtors' affairs to agents who were incompetent or dishonest and often both. He warned his hearers to be especially alert when choosing an agent to represent them in bankruptcy proceedings. He pledged that "these vultures" would receive short shrift in his court. His entire address will be the lead article in the June issue.

To wind up the afternoon Matthew Woll, second vice president of the American Federation of Labor, told the audience what labor expects of management.

Monday evening was the occasion for the annual division dinners. There were three this year, the Southeastern sponsored by the Georgia Association, the Western sponsored by the Rocky Mountain Association, and the Central with the Chicago Association as host. A colorful ceremony took place during the Southeastern Division dinner when four gentlemen, including Richard G. Tobin, Editor and Manager of *Credit and Financial Management*, were installed as governors of Georgia.

The President's reception and ball was also held on Monday night. Tommy Tucker's orchestra played for the dancing which followed the grand march. President E. L. Blaine, Jr. led the grand march.

Tuesday Morning

Despite the late hour at which dancing finished, there was another full house early Tuesday morning to hear Paul G. Hoffman, President of the Studebaker Corporation, and Chairman of the Board of Trustees of the Committee for Economic Development. Mr. Hoffman enlisted the support of all his hearers in a crusade to preserve capitalism now or lose it forever. "There is nothing sacred about a boom," he said. "There is nothing sacred about a bust. They are both caused by men." Only through men working together sensibly and cooperatively can our present system of life survive against the attacks which threaten it from all sides.

Senator Harry P. Cain (R-Wash.) was due to follow Mr. Hoffman, but



C. E. Fernald
Eastern Vice-President

owing to the fact that the Senate Labor Bill came to a vote on Tuesday, Senator Cain felt that his place was in Washington. He promised that he would try to come on Thursday instead.

The third scheduled speaker for the morning was Fulton Lewis, Jr. Choosing as his subject "Tax Free Cooperatives as Your Competitor," Mr. Lewis spoke from his own experience as a farmer in Maryland. He described one cooperative which he had to join in order to get feed, since it was unavailable anywhere else. Dividends, he said, on his one share of stock had risen to \$68.10, none of which, however, he could get in cash. He said that that \$68.10 was the most involuntary investment in the history of American finance and he swore that he was going to get his money if he had to go to the Supreme Court to do so.

Tuesday afternoon was a free half day. Delegates had a good opportunity to put to use the coupon book with which their very generous host had supplied them. The book contained tickets for trips to the Statue of Liberty, the roof of the Empire State Building, Rockefeller Center, the NBC studios, two bus tours and a sightseeing yacht cruise around Manhattan Island. These trips, however, were mere preparations for what came in the evening. Both the Grand Ballroom and the Belvedere Roof of the Astor Hotel were taken over by the New York Credit Men and a show of fabulous proportions was put on for the visitors. Such top performers in their fields as Carmen Miranda and Cardini, the magician, highlighted the show which was MC'd by Henry Morgan, famous radio comedian, who was at his whimsical best.

Industry Groups

Thirty industries were represented in the group sessions held on Wednesday, May 14. They devoted the entire day to discussion not so much of national and international problems, but the real day to day problems indigenous to the credit profession.

While it is not possible to describe in one short article all that was said and

done in these meetings, which were spread over four hotels, and in one hotel occupied every room in the house, it is possible to summarize some representative opinions as expressed by the featured speakers.

A program of "planned helpfulness" in which manufacturers and wholesalers would cooperate to improve retailers' knowledge of distribution was advocated by I. H. Bander, vice-president of McKesson & Robbins, Inc. Mr. Bander spoke before credit men in cosmetics and pharmaceutical industries at the McAlpin.

Asserting that everything must be done to maintain the confidence necessary for business permanency, Mr. Bander declared that as manufacturers appreciate more fully the importance of numerical and individual strength of wholesale and retail distribution they will step forward with special departments to study and aid distribution.

Mr. Bander's words were echoed in part by Francis L. Whitmarsh, president of Francis H. Leggett & Co. and of the National American Wholesale Grocers Association, who spoke at another section. "The return of highly competitive markets urgently necessitates a program on the part of wholesalers in which truly constructive assistance must be offered those we serve," he said.

Information Held Vital

Lack of information had earlier been proclaimed one of two principal causes of business failures by Henry M. Richards of the consumer credit department of Chase National Bank. Addressing plumbing, heating, refrigeration and air conditioning industry credit men, he said that ravages of small business arose fundamentally from lack of information and lack of capital. The time to seek financial advice and assistance, he declared, is during the full flow of vitality in business and not after working capital has been drained.

Sylvan Gotshal, of Well Gotshal & Manges, attorneys, warned that American business "is going through a nervous psychosis which, while it has little relation to actual facts can very well, as is often the case in human affairs, become a chronic disease itself and one which wrecks the bright prospects which are very evidently here."

In other quarters a note of caution on credit extension was voiced. M. A. Sheridan, of Seagram Distillers Corp., advocated extension of laws governing credit terms on liquor to those states now without such laws. In a talk before the brewers, distillers and wholesaler liquor group, he said that experience has shown that extended terms do not necessarily encourage sales and warned credit men that business failures among liquor dealers, particularly those who have entered business during the war, would be high.

Necessity for credit managers to know all details of their customer's business was emphasized by C. J. Wagner, general counsel for the Minneapolis Association of Credit Men. Observing the prevalence of a habit of depending on credit ratings, born of war-time conditions, he declared that "in the coming recession



F. J. Carpenter
Western Vice-President

period" it would be necessary to know much more than the bare facts. Labor costs, inventories, orders of raw materials and tax situations must be investigated thoroughly, he said.

Thursday

Thursday brought the great occasion to its climax with fine addresses by Senator Cain, who fulfilled his promise to make up for his absence on Tuesday, and George E. Sokolsky, famous columnist. The various reports were submitted, some of which are presented on other pages of this issue, and finally the election of officers took place. There was an exciting contest for two offices and we believe this is the first time a President has ever been nominated from the floor.

The convention was adjourned only two hours late.

Blanche Scanlon Reports Highly Successful Year

National Credit Women's Executive Committee is one of eight Committees of the National Association of Credit Men. The Committee consists of a Chairman, three Vice-Chairmen, and twelve District Members.

The function of the Committee is to correlate and direct the activities of Credit Women's Groups so that they may best serve our Association and women credit executives. In the decade just passed the number of Groups and also the total membership have more than doubled. Enlargement of the Committee is a natural outgrowth of the fine expansion in units, membership and activity. This year marks the innovation of three Vice-Chairmen representing the Eastern, Central and Western Divisions respectively. Each Vice-Chairman is responsible for the promotion and advancement of one important activity. The noteworthy acceleration of our ob-

jectives reflects the intensive work done by the Vice-Chairmen as well as the splendid cooperation received from District Committee Members and Group Presidents.

This year's total of Association memberships obtained by Credit Women is 238, a gain of 47% over all previous records, and a little better than 10% of the total gain in membership of the National Association. Heading the list with 66 memberships is New York City; Chicago is a close second with 47, and Los Angeles third with 20.

This year the number of Groups awarding Scholarships has more than doubled; 37 Groups are sponsoring 50 scholarships, an increase of 20 Groups and 27 scholarships. New Orleans and Seattle are each offering 4 scholarships; Binghamton 3; Bridgeport 3 in their third year of organization; Chattanooga, organized just a year ago, was presented with a scholarship by first president, Gertie M. Schaefer. San Diego, our 46th Group, at their very first meeting established a scholarship!

The growth of Credit Women's Groups has kept pace with the growth of the National Association of Credit Men. Four new Groups were formed this year: JACKSONVILLE, Florida; SAN DIEGO, California; HOUSTON, Texas; and DULUTH, Minnesota, bringing the number of Groups to **FOURTY-SEVEN**.

It is gratifying to see the fine expansion of our Groups both in Membership and in activity. It has been recognized that the first requisite of a successful local unit is a strong and active membership to carry out its objectives. Monthly meetings have been worthwhile and constructive, featuring credit problems entirely or in part. Since their inception two years ago "Know Your Association" meetings, held early in the season, have become an important feature of each year's activities. These fine programs, plus energetic membership campaigns, have steadily increased our ranks well beyond the 2000 mark.

National Secretary Marie Ferguson has just completed her sixth year of service to our National Committee. Her understanding and constant devotion to our aims and principles has furthered our work immeasurably. It is with special gratitude that our Committee acknowledges her valuable contribution to our progress.

Chattanooga: The Chattanooga Wholesale Credit Women's Group reports a very successful first year. Twelve meetings have been held with an average attendance of nineteen. A scholarship has been founded, to be known as the Gertie M. Schaefer scholarship, in honor of the first President of the Group.

Elected to succeed Miss Schaefer in the Presidency was Mrs. B. H. Robinson, Williams & Voris Lumber Co. Other new officers are Mrs. M. L. Payne, Sherman and Reilly, Inc., First Vice-President, and Mrs. E. F. McKinney, Fischer Bearing Co., Second Vice-President.

The Credit Side of Selling

By
EDWIN B. MORAN
Manager, Central Division
National Association of Credit Men

Here is a manual that credit managers and sales managers have been waiting for. A down-to-earth, hard-hitting presentation of the credit side of selling, giving salesmen the whys and wherefores of credit and its importance as a part of salesmanship. This manual shows how credit knowledge helps a salesman. It will make every member of the sales department not only a better salesman but a better all-around businessman.

Ed Moran's manual accomplishes the much needed job of promoting cooperation and understanding between salesmen and the credit department. Every credit manager should get a copy of this book and see that it is brought to the attention of his sales department. With a return to competitive selling just around the corner, the importance of getting over to salesmen an understanding of credit problems cannot be delayed. Glance at the list of contents below—then order your copy immediately.

- How Credit Knowledge Helps a Salesman
- The Principles Underlying Credit
- Getting a Line on a New Customer
- References—Good, Bad, and Indifferent
- How to Analyze a Financial Statement
- Keeping Tab on Old Customers
- Credit Safeguards for Salesmen
- Some Legal Phases of Credit
- Terms of Sale and the Salesman
- Guarding Against Business Hazards
- Causes of Business Failure
- Your Customer—His Buying
- Your Customer—His Credit Policy



128 pages.
Size 5 by
7½ inches.
Cloth Bound.

\$1.50

Every salesman in your organization should have a copy of this book. In lots of one dozen or more, the price is only \$1.30 each.

USE THIS ORDER FORM

The Dartnell Corporation
1801 Leland Avenue
Chicago 40, Illinois

Send immediately _____ copies of Ed Moran's new manual "THE CREDIT SIDE OF SELLING," priced at \$1.50 each, or \$1.30 each in lots of one dozen or more.

Individual _____

Title _____

Company _____

Street _____

City _____ Zone _____ State _____

Membership Drive Results

Call For Congratulations— And Continuation of Effort

G
M April 10th brought to a close another outstanding year in membership gain. And it is with a lot of pride in our association that I bring to you this report of membership activities and progress during the year just closed.

First, let me review briefly the record for the past few years. As you no doubt will recall, for several years prior to 1943, by force of general conditions, the membership of the National was rather static. Under the leadership of past President Bruce Tritton, supported by a pledge of 10% increase in membership by the National Board, the tide was turned and the fiscal year 1943-4 closed with a net gain of 1,681.

That very fine performance was not only maintained during the fiscal year 1945 and 1946, but, under the leadership of President Ed Blaine, who was National Membership Chairman for those years, net gains of 2,655 and 2,671 were scored, giving us a grand 7,007 membership increase for the three years.

At French Lick last year I succeeded Ed Blaine as Chairman. He and Ed Moran suggested in a very subtle way that they would not expect any major improvements during my tenure. I was fully aware of the very fine progress that had been made, and, to their surprise, I somewhat boastfully accepted their challenge, for I realized fully that I was in a very fortunate position in that Ed Moran's promotional program was then in full swing, and the locals throughout the country were at an all time high pitch. These factors, together with the tremendous momentum created during the past three years, added up to one final answer—that success was practically assured.

Actually, the goal set for the fiscal year 1946-7 was 27,000, representing a net gain of 1,970. Final results reveal a total membership of 27,318, a net gain of 2,288. So, it is at least without shame before those two grand fellows that I come to this time of accounting and membership awards.

The One-Year Trophies

One year trophies were gathered in by the following:

CLASS A — SAN FRANCISCO, CALIF. with a percentage gain of 120.7%.

President—Clyde H. Mann, Union Oil Co. of Calif.

Membership Chairman—H. G. Hyland, Haas Bros.

Secretary—O. H. Walker.

CLASS B — KANSAS CITY, MO. with a percentage gain of 134.25%.

President—G. E. Gilman, Colgate-Palmolive Peet Co.

Prospects For Coming Year Brightest Ever.

by C. C. CALLAWAY, JR.

Chairman, Membership Committee 1946-1947
Vice-President, Central Division 1947-1948

Membership Chairman—R. W. Durrett, Sheffield Steel Co.

Secretary—J. N. Ham.

CLASS C — SAN DIEGO, CALIF. with a percentage gain of 139.15%.

President—J. H. Barton, Electric Supplies Distributing Co.

Membership Chairman—M. F. Johnson, Johnson Envelope Co.

Secretary—Lawrence Holzman.



CLASS D — HOUSTON, TEXAS, with a percentage gain of 128.48%.

President — W. L. Holmes, Schlumberger Well Surveying Corp.

Membership Chairman—R. S. Hawkins, Wm. Volker & Co.

Secretary—R. E. Boeger.

CLASS E — HONOLULU, T. H., with a percentage gain of 159.09%.

President — L. D. Leflar, American Factors, Ltd.

Secretary—Alvin A. Smith.

CLASS F — WACO, TEXAS, with a percentage gain of 186.66%.

President—C. W. Cayten, General Tire & Rubber Co.

Membership Chairman—Leo Mayes, Behrens Drug Co.

Secretary—O. B. Lusk, Jr.

Five Year Awards

For the outstanding accomplishment of sustained progress over the past five years in both gaining and holding new members, the FIVE YEAR trophies go to the following:

CLASS A — INDIANAPOLIS, IND.

President — Walter J. Hubbard, Jr., American National Bank.

Secretary—Merritt Fields

CLASS B — KANSAS CITY, MO.

President—G. E. Gilman, Colgate-Palmolive Peet Co.

Membership Chairman—R. W. Durrett, Sheffield Steel Corp.

Secretary—J. N. Ham.

CLASS C — CHATTANOOGA, TENNESSEE.

President—W. Clyde Cannon, Pure Oil Co.

Membership Chairman—W. T. Hutson, Colman Paint & Varnish; Baxter C. Davis, Peerless Woolen Mills.

Secretary—G. Royal Neese.

CLASS D — SAN ANTONIO, TEX.

President—A. R. Rees, Dairyland, Inc.

Secretary—James Caldwell.

CLASS E — TERRE HAUTE, IND.

President—Forrest G. Sherer, Sherer Insurance Co.

Membership Chairman — Henry L. Smith, Allen & Steel Acceptance Corp.

Secretary—Miss Wanita Gilchrist.

CLASS F — ELMIRA, NEW YORK.

President—Ernest Bisbing, American LaFrance & Foamite Corp.

Membership Chairman—Charles G. Waters, National Cash Register Co.

Secretary—H. C. Ropp.

All of us, and all of the businesses we represent, are indebted not only to these fine winners, but to all the host of men and women who have loyally devoted much thought and time to the combined effort that has given us the strength we have attained.

Homage To Helpers

Time will not permit me to express appreciation individually to all those who have participated in the membership program during the past year, but I would be remiss if I should fail to acknowledge the very great assistance I have received from certain groups and individuals. The National Board has cooperated and has been most helpful with their activities and advice, along with the presidents, chairmen of the membership committees, and secretaries of the local associations. I feel very keenly the outstanding efforts on the part of the local secretaries and membership chairmen. They have done an exceptionally fine job.

This year the roster of the National Membership Executive Committee was reduced considerably, with the result that we were able to concentrate our efforts and, without exception, I could not have asked for a better group to work with, and I am deeply appreciative of the splendid support I received throughout the year.

I also want to express my appreciation to the Women's Group, headed by Miss Lillian Guth, who served as liaison on the National Committee in a most admirable way.

The National officers, of course, played a very prominent part, and particularly the three National Vice Presidents, who

(Turn to page 39)

Distances Don't Mean A Thing in Honolulu

Honolulu: Anybody who handles collections in the United States is accustomed to doing a modicum of traveling. However, the letter quoted below from Alvin A. Smith, Secretary of the Honolulu Association of Credit Men, should give members some idea of how far you may have to go to do your work:

Harmon Field, Guam
April 4, 1947

Dear Mr. Heimann:

As a member of the NACM thought you might be interested in learning of some of the odd and unusual duties of the Honolulu Secretary in connection with claims originating in Honolulu but on which it was necessary to travel to Guam, on behalf of creditors, in order to effect a recovery.

Left Honolulu Sunday, March 30, 1947, and, after passing the Date Line, arrived in Guam on Tuesday after 23½ hours' flying time, with only short one hour stops at Midway and Wake Islands for refueling the plane. The distance from Honolulu to Guam is approximately 4,000 miles.

We had a successful trip and arranged for recovery of around \$60,000 for Honolulu creditors. Plan to leave for Hawaii at 6 P. M. this evening and if nothing goes wrong should be back in the office on Saturday A. M.

Guam was captured by the Japs in December, 1942, and remained in their possession until 1944, when we recaptured the island and it became our advance base for the B-29 raids against Japan proper, which led to their ultimate defeat. Guam was originally a Spanish possession which was ceded to the United States in 1898, following the Spanish-American War, and has since remained a United States possession under Naval Administration. Signs of battle activity are seen on every hand; Guam at present is in the process of being transformed into a second Pearl Harbor.

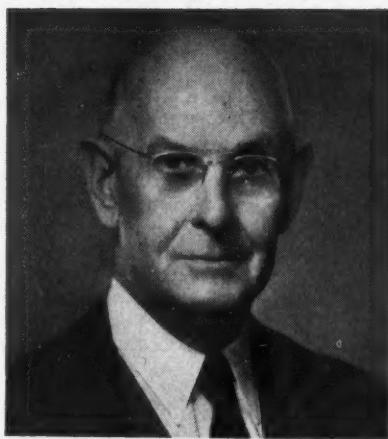
Conditions are rugged and there is a complete vacuum of almost all types of consumer goods, with the exception of a few necessities of life which can be purchased in Army and Navy stores.

Am planning on leaving Hawaii May 8th as previously advised and will look forward to making your personal acquaintance on arrival in New York on May 11th for the National Convention.

Aloha,
Alvin Smith

Utica: The Credit Women's Group of Utica met on April 17. Miss Edith Judkins was elected President; Gertrude Somers, Vice-President; Irene Foxenberg, Treasurer, and Mrs. Catherine Healy, Secretary.

H. P. Reader Heads New York Officers



New York: H. Parker Reader, Assistant Treasurer of Cannon Mills, Inc., was unanimously elected President of the New York Credit Men's Association at the annual meeting on May 1. He succeeds Earl N. Felio, who served for two terms.

Mr. Reader has been a member of the official family of the New York Association for many years. He was Vice-President for the past two terms. He organized the New York Credit Men's Adjustment Bureau in 1924 and has been its President for the past four years. He was a National Director from 1928 to 1930.

Also elected at the same meeting were Lorne D. Duncan, National Distillers Products Corp., 1st Vice-President; Fred J. O'Connor, H. A. Caesar & Co.; Frederick W. Zander, United States Plywood Corp., and Roliston G. Woodbury, Texile Banking Co., Inc., Vice-Presidents; and Edward W. Moon, Jr., Otis Elevator Co., Treasurer.

Mortimer J. Davis is executive manager of the Association, succeeding Raymond Hough, who resigned effective May 1.

Newark: The annual election of the New Jersey Credit Women's Group was held on April 15. Fannie Skoda, Weston Electrical Instruments Corp., was re-elected President. New officers elected include Mildred Horton, Procter & Gamble Distributing Co., Vice-President; Jean Anderson, Tung Sol Lamp Works Co., Secretary, and Gladys Dick, Credit Men's Adjustment Bureau, Inc., Treasurer.

Omaha: The following new officers were elected at the monthly meeting of the Credit Women's Group of Omaha on April 10: Mrs. Eleanor Kindell, Sterling Electric Co., President; Mrs. Alice Murray, Industrial Chemical Laboratories, Vice-President; Miss Grace Hansen, Dultmeier Sales Co., Secretary, and Miss Lillian Granholm, Baker Manufacturing Co., Treasurer.

OBITUARY

Past President F. B. McComas

Los Angeles: F. B. McComas, of Los Angeles, died on April 30th. He was one of the oldest members of the Los Angeles Credit Men's Association and had had a distinguished career of service to both the local and national Associations. He was a Director of the National Association from 1912 to 1915, Vice-President from 1915 to 1916 and National President from 1918 to 1919.

Ray B. McFadden

Oklahoma City: The Oklahoma Wholesale Credit Men's Association is mourning the death of Ray B. McFadden, Treasurer of the Alexander Drug Company, who succumbed to a long illness on April 14th.

Mr. McFadden was one of the best friends the Oklahoma Association had. Although his health prevented him from attending as many meetings as he wished, he was always ready to give to the officers and staff the advice and counsel which his great experience made so valuable.

Joseph A. McBrien

Minneapolis: The sudden passing of Joseph A. McBrien, of Jordan, Stevens Co., on April 29, came as a shock to his many friends throughout the country.

Mr. McBrien was a staunch member and friend of the Minneapolis Association of Credit Men and had served the National Association in the capacity of Director from 1936-1939.

Founder of Canadian Credit Men's Trust Dies At Oakville

Toronto: Henry Detchon, of Oakville, Ontario, and formerly of Winnipeg, died on April 10th. Mr. Detchon was the founder of our colleague across the border, the Canadian Credit Men's Trust Association, Ltd., in Winnipeg in 1910, and served as general manager for twenty-five years. During his term of office, branches were formed in cities in all parts of the Dominion.

Houston: A Credit Women's Club has been organized in Houston. Its proper title is the Wholesale Credit Women's Club of Houston; its Secretary is Mrs. Fern Curtis and its address 919 M & M Building, Houston, Texas.

Meetings will be held on the third Wednesday of each month, and will be dinner meetings. Officers have been elected and a constitution adopted. In addition to Mrs. Curtis the officers are: Hazel Williford, Magnolia Paper Co., President; Mildred Sutton, Lester Battery and Electric Co., Vice-President, and Marion Wills, Bering-Cortes Hardware Co., Treasurer.

STATEMENT OF POLICY

Of The 51st NACM Credit Conference

This Golden Anniversary Credit Conference, having received from its Committee on Resolutions a statement of policy and recommendations, declares it adopted, and urges the members of this Association to exert their weight of influence in implementing these resolutions, recognizing the responsibility and obligations of the Credit Fraternity to the national economy and the public welfare.

Reduction in Government Costs

The time has now come to call a halt to the increase in the cost of government which were brought about by war and to turn the trend downward in the interest of more efficient government service, the illumination of non-essential services, the removal of unsound subsidies, and a substantial and gradual reduction of the National debt. This Credit Conference therefore goes on record as wholeheartedly supporting the timely and effective policies and work of Senator Harry F. Byrd, of Representative John Taber, of their respective committees and of such other committees of either party striving for a constructive reduction in government costs. We urge the members of this Association to encourage their representatives in Congress to support such efforts toward a sound economy.

Government Agencies

Recognizing the need in a war economy for many of the credit, lending, and other agencies created by government, the need for the continuation of many of these agencies in a peace economy should be reappraised. This convention therefore urges the members of this Association to encourage their respective representatives in Congress to evaluate these agencies in terms of the soundness of their credit practices, of the tax burden their continued operation imposes upon the public, and of the degree to which they are performing a service already adequately covered by private enterprise.

Government Priority

In the interest of maintaining a continuing constructive program of cooperation between business and government in the liquidation and adjustment of business casualties, we believe that a reconsideration should be given by Congress (or the duly constituted authority) to the present regulation which gives the government unrestricted time priority on insolvency claims. In the belief that the rights of individuals and of business enterprises as creditors are not now adequately protected and that a more equitable settlement of claims will result, we

NEW YORK, N. Y.

May 11-15

recommend that the priority of the U. S. Government to claims in insolvency cases be limited in time to a maximum of one year. Likewise we recommend that interest on tax claims shall not run after the date of bankruptcy. We believe that this would develop confidence in and goodwill toward government.

Bankruptcy Referee Act

In the interest of making immediately effective the Bankruptcy Referee Act passed by the 78th National Congress, we urge that the 80th Congress make such provision as is now under consideration, in the appropriations for the ensuing fiscal year, for a revolving fund of sufficient amount to pay the salaries of bankruptcy referees, with the understanding that fees collected for the services of referees be allocated to the fund so that the Federal Treasury may be reimbursed as soon as possible for the outlay for the revolving fund.

Community Property

Recognizing that it is the intent of the Federal Government to apply its tax levies equitably to all citizens, this Association urges the members of our National Congress to include in the 1948 income tax statutes the Community Property provision so that this benefit may be applicable to the citizens of all states.

International Trade

In the interest of sound foreign credit policies, this Association does not favor the proposed domestic legislation which would set up a plan for export credit insurance.

This Convention commends the Government of the United States for the constructive efforts it is now making for the development and the fullest possible acceptance of the International Trade Organization to develop international trade and a closer integration of cultural and economic ties between nations.

Cooperatives and Taxation

In reaffirmation of the action taken at the French Lick Springs Conference on June 25, 1946, we urge the Congress to give early consideration to the correction of the inequality and discriminatory tax exemption in favor of certain cooperatives which in their operations compete with taxable business enterprises.

We urge the Congress of the United States to pass National legislation to exempt corporate dividends from individual income tax.

Par Clearance of Checks

We strongly re-affirm the action taken by four previous Credit Congresses during the past ten years that the clearance of checks by banks in all sections of the country should be at par only on the theory that "checks must possess the attributes of sound currency if they are to do the work of currency." We urge, therefore, that the Association's Committee on Par Clearance, the National Board of Directors, the members of the National staff and representatives of local Associations work unceasingly to speed the time when par clearance of checks will become a reality in every state in the nation.

Professional Recognition of Credit Manager

There is recognized the necessity of a carefully considered and well integrated plan for the selection and development of competent personnel to fill the increasing number of strategic credit manager positions becoming available with the growing complexity of our economy. This convention, accordingly, requests the National Credit Education Committee to give early consideration to the further development of a plan of education for young men and women interested in the field of credit, such a plan to be established upon enforceable high qualifying standards of moral character, education and experience and which will have as its objectives the professional designation of the credit manager.

Special Resolutions

To the U. S. Department of Commerce and especially to the Honorable W. Averill Harriman, Secretary of Commerce, for the generous assistance and helpful cooperation afforded this Association in the collection and dissemination of information of value and interest to credit men and for the contributions made by members of his staff to the success of the program of this convention, we express our sincere appreciation and hearty thanks. We commend the Department of Commerce for its helpful service to small businesses which have no available funds for study and research and we urge that this aid be continued in the interest of reducing business casualties and of helping meet the needs of small businesses in the years ahead.

To the officers, the staff, the members and the various efficient Committees of the New York Credit Men's Association whose friendly hospitality, generous contributions to our entertainment, efficient planning and direction of the program, and courteous and useful service have made this Golden Anniversary Credit Conference a memorable event in our Association's history and in our personal experience, we express our most sincere appreciation and hearty thanks.

To the management and members of the staff of the Hotel Pennsylvania, the Hotel New Yorker, the Hotel Governor Clinton and the Hotel McAlpin and other Penn Zone hotels whose courteous service

and friendly hospitality have contributed much to the success of this Conference and have made our stay in New York pleasant, we express our appreciation.

To all the general news services, the Associated Press, the United Press, the International News Service and to all the daily newspapers for their excellent cooperation in presenting to the public pertinent news about the activities and ideals of our Association, we are gratefully thankful.

S. S. May, Bless Him

The National Association of Credit Men, gathered at its 51st annual Credit Congress in New York City wishes especially to recognize the Daily News Record of New York for its outstanding efforts in behalf of all programs for business improvement and particularly for the assistance given the credit profession.

The Daily News Record and all of the business publications of Fairchild Publications, the publishers, have done yeoman service for the advancement of credit ideals and this convention again presents its thanks for such cooperation.

We are glad to take this opportunity to mention Sylvester S. May, city editor of Daily News Record, as one of our staunchest friends for many years. While his paper has sent a staff man to report every credit convention since Toledo in 1896, Mr. May has personally covered every convention since Atlantic City in 1920.

Mr. May last Saturday completed 37 years with his paper and we are quick to acknowledge that these years of service have been filled with countless favors to the credit fraternity.

Therefore be it further resolved that our association presents its sincere greetings to our good friend Syl May and expresses a most sincere wish that he will continue to be rewarded with all the good things life may afford.

MEMBERSHIP

(Continued)

served as divisional Vice-Presidents on the Committee, with the result that very keen competition existed between the three divisions. Final results reveal that Frank Dudley, Vice President of the Western Division, closed the year at the top, with an outstanding record, followed by Harry Offer and Joe Rubanow, serving in the Central and Eastern Divisions, respectively.

Executive Manager Henry Heimann, together with Secretary Dave Weir, and the National staff have never failed, at every opportunity, to present the membership cause. It is true that this group has the administrative affairs of the association constantly with them, but notwithstanding these heavy responsibilities, they have been extremely helpful in the success of the membership program this year.

The Indefatigable Mr. Fishbeck

On numerous occasions during the past year, I have made the statement that in

the national membership setup we had the cart before the horse. I have reference to Les Fishbeck, who served in a dual capacity, as National Vice Chairman, and also directed membership activities for the entire west coast. To Les goes a lion's share of our success. With his fine intelligence and great interest in our association he has given one of the most loyal demonstrations of unselfish cooperation that I have ever seen. Les is a great fellow and I appreciate him deeply.

Ed Moran, as Director of Sales and Promotion, is the sparkplug behind every membership program. His outstanding ability is matched by his enthusiasm and keen interest. He is constantly developing new ideas, which are of tremendous value in planning and executing membership work. And added to that is the inspiration of his unlimited energy. It has been a genuine pleasure to work with Ed Moran and his staff.

My year as National Membership Chairman has been filled with many compensations in addition to the fine results. And I am more certain now than I was at the beginning of last year of the tremendous potential for membership growth —this year, and next year, and the next, through the leadership of my successors. Now, I am neither seer, nor prophet, nor Pollyanna—but the elements presently at hand can be added up to nothing short of the greatest potential of growth and service that our association has ever had. Service is rendered through membership and national service can be rendered best through membership blanketing the commercial and industrial communities of the country. During the war years there was unprecedented growth and relocation—movements to, and creation within, the South, the West and the great Pacific Coast areas, as well as what has taken place in the traditionally industrial East and Mid-west. And the return of competitive conditions is ripening for the harvest of every good prospect who, during the lush time, withheld his application. The same forces are at work on the businesses of satellite towns of association centers. There are a great many in these two groups who, of course, should have been in all along but who respond best to economic necessity. In addition, there is the job of filling in as rapidly as is feasible with new local chapters or the rehabilitation and expansion of existing small chapters to meet our responsibility to the whole country as it has changed as "GUARDIAN OF THE NATION'S CREDIT."

I am grateful for the privilege of serving as your National Membership Chairman.

Close — But No Cigar

It would be remiss to omit mention of the Los Angeles Association for their splendid results during the year. Although they received no award, since awards depend only on percentage gain, the Los Angeles Association achieved the greatest net gain numerically—198 new members. Such a result calls for sincere congratulation.

In closing there are two other awards

for membership work. The Women's Group Membership award, given to the women's group which sponsors the greatest number of new members goes to the New York Credit Women's Group. The Les Fishbeck Zebra Award, a silver cup given by Les Fishbeck, whose name is almost synonymous with membership effort, to the Zebra herd sponsoring the largest number of new members, goes to the San Diego herd.

Chicago Association Elects New Officers

R. L. Seaman, Vice-President of Star Merchandise Co., Inc., was elected President of The Chicago Association of Credit Men, it was announced at the Association's Annual Meeting Wednesday evening, April 16.

For many years, Mr. Seaman was associated with the Florsheim Shoe Company and was Treasurer of the company until March, 1946, when he resigned to take over an ownership interest in and the management of his present company.

Mr. Seaman built up a notable record in The Chicago Association of Credit Men. For three successive years he was Chairman of the Membership Committee and is credited with originating the Chicago Plan for Membership Expansion which, since its inception, has increased the membership of the Association by more than 60 percent.

Other officers elected were: First Vice President, A. L. Jones, Armour and Company; Second Vice President, G. T. Thomas, The Sherwin-Williams Company; Treasurer, J. E. Walsh, Oscar Mayer and Company; Directors: C. T. Blackmore, The Powers Regulator Company; W. C. Bruhn, the First National Bank of Chicago; W. J. Gielen, The Palmer House; W. J. Hindman, Lumbermens Mutual Casualty Company; C. C. Posvick, Corey Steel Company; W. F. Pretzel, Bunte Brothers; L. W. Stolte, Fairbanks, Morse and Company, and J. A. Billings, the Payson Manufacturing Company.

Davol Promotes Rodriguez Former National Director

Providence: Camilo Rodriguez, former National Director of the National Association of Credit Men, has been promoted to Vice-President of the Davol Rubber Company, according to an announcement by Ernest I. Kilcup, President of the company, himself a Past President of the NACM.

Mr. Rodriguez' work for both the Rhode Island and the National Associations has been long and distinguished. He has served the National on many vital committees; besides, he is a Past President of the Rhode Island Association and is now a member of the board of directors.

LETTERS

(Continued from Page 32)

proved. Our only satisfactory source of income was from these 2-14 net customers and the few discounting customers we had among the better merchants.

To say that we were completely sold on cash discount as a collection aid is putting it mildly and our every effort has been to increase the number of our discounting customers. At the present time ninety-five percent of our trade takes their discount promptly, and every effort is being made to keep them doing it. We mail out statements each week showing in actual figures the cash discount to which they are entitled. If a discount is missed we follow through with whatever correspondence is necessary to re-establish a discounting customer.

To be sure everyone is paying their bills now but to give us credit we had the most of our trade discounting before 1941 and perhaps you think it was not a hard job converting some of those old die hard merchants over. The effort was well worth while. As a collection tool it has proven excellent, and as a goodwill and volume builder it is equally effective. Quoting one of our salesmen, "It is a pleasure to lean back and visit for a few minutes with a customer instead of building up sales resistance by presenting a past due statement."

We hope cash discount privileges will not fall into general disfavor for we like the earnings we secure from our manufacturers, but as far as our firm is concerned we intend continuing to grant them to our trade.

Respectfully yours,
MILAN E. PIERSON
Credit Mgr.
Frank Colladay Hardware Co.

On the other side of the picture we have this editorial from *American Business*:

CASH DISCOUNTS

There is a new kind of strike. It is a strike by retailers against manufacturers who eliminate the

cash discount. Some merchant associations are up in arms against General Electric Supply Corporation, Cannon Mills, U. S. Rubber Company, and others which have reduced or eliminated discounts for the prompt payment of bills. The merchants contend, with much vehemence, that cutting cash discounts is really a hidden price increase. We think the merchants are barking up the wrong tree. The cash discount had its origin in the pioneering days of business, when the country was suffering from a lack of capital. It was not uncommon in those days for a business to pay as high as 30 per cent to float a stock issue and 8 and 10 per cent interest on the money it borrowed from the bank. Quick collection of outstanding accounts, so the money could be reinvested in more materials and goods, was all important. So the cash discount was invented. Today money is one of the cheapest things there is. The country is glutted with it. Instead of 8 and 10 per cent interest rates, established corporations can get long-term money for as low as 2 per cent. Why should they pay at the rate of 36 per cent, as some do when they offer cash discounts? Such excessive rent for money needlessly adds to the cost of goods. It tends to keep costs up at a time when they should be brought down. To label cash discounts a trade discount is as unfair as it is unsound.

CREDIT INFORMATION

Dear Sir:

The following comment is sent as the result of my own observations, and you may do as you please about publishing it. The article in the March issue of your magazine, entitled "The Control of Credit" by Mr. A. W. Hill, was most interesting. The point I particularly wanted to make, however, in writing on this occasion was in connection with his remarks about the changes which took place in Dun & Bradstreet's reference book listings, because with the use of a service offered by our own National Association of Credit Men I have found these changes in listing by Dun & Bradstreet rather unimportant. I have discovered, in other words, that by the use of Automatic Revision on at least a four-months basis, Credit Inter-

change reports will tell me several months in advance that a change in the Dun & Bradstreet listing of my particular customers is forthcoming. I have found, furthermore, that information gathered through contacts with credit groups, banks, and supply houses isn't usually developed until after the customer already is in trouble. It seems to me that it is a serious omission when an article so well written, and particularly one on the subject of the control of credit, omits mentioning one of the best credit tools, if not the very best—aside from the credit executive's training and ability to use his tools well—that is available.

Cordially yours,
DWIGHT SHERBURNE,
Sec'y-Treas.,
The A. Burdsal Co.

Oklahoma Credit Men Elect Earl C. Hill New President

Oklahoma City: The members of the Oklahoma Wholesale Credit Men's Association elected Earl C. Hill, Assistant Cashier, Liberty National Bank, as President for the coming year. The annual meeting was presided over by L. O. Brooks, Oklahoma City Hardware Company, retiring President.

Mark T. Harris, American Electric Ignition Company, was elected as Vice President, and the following members were elected Directors for two year terms: Harry Smith, Unit Parts Company; C. F. Eckerd, Acme Flour Mills Company, and Ed Martin, Cook Supply Company.

Following the election the members were entertained by a motion picture presented by Mr. William Bolton, President, Unit Parts Company, and showing the operations of the company's newly constructed manufacturing plant. Plans for a special Pullman from Oklahoma City to the National Convention in New York were announced and the Chairman of the Convention Committee announced sixteen had already made reservations.

OFFERS VENEZUELAN REPRESENTATION

Outstanding manufacturers' representatives established in Colombia have opened offices in Caracas. Are interested in representing first rate firms of Food, Drugs, Cosmetics, and allied lines for the sale of their products on an exclusive basis in Venezuela. Principal member of firm now in New York will give further details to serious interested parties. Address O. C. Prescott, 149 Broadway, New York 6, N. Y.

Manufacturers' Export Service—We offer our services to handle the exportation of your products to world markets. Have just returned from a trip through South America where we made a survey of the market and arranged for distribution. We are planning a more extensive trip and wish to make direct contact with manufacturers of automotive supplies, machinery, household appliances and related products. For further information please write Box M-1, Credit and Financial Management.